



2014

Annual Report



SINCE 1902

CONFERENCE OF STATE BANK SUPERVISORS

TABLE OF CONTENTS

About the Conference of State Bank Supervisors	3
CSBS Board of Directors	4
Letter from the Chairman	6
Letter from the President and CEO	8
CSBS Strategic Plan.....	9
CSBS 2014 Highlights By the Numbers	10
State of the Banking Industry	12
State of the Non-Depository Industry.....	14
Promoting the State Financial System in Congress	18
The State Perspective on Regulatory Policy	22
Coordination in State Bank Supervision.....	26
Advancing State Non-Depository Supervision	30
Opportunities and Challenges in Technology	34
Raising the Bar on Training and Professional Development	37
CSBS Bankers Advisory Board and Members	41
CSBS and Affiliates Financial Perspective.....	44
State Regulatory Registry LLC Board of Managers	45
CSBS Education Foundation Board of Trustees.....	46
CSBS Staff	47

ABOUT THE CONFERENCE OF STATE BANK SUPERVISORS



CONFERENCE OF STATE BANK SUPERVISORS

The Conference of State Bank Supervisors (CSBS) is the nationwide organization of financial regulators from all 50 states, the District of Columbia, Guam, the Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands.

For more than a century, CSBS has given state supervisors a national forum to coordinate supervision and develop policy related to their regulated entities. CSBS also provides training to state banking and financial regulators and represents its members before Congress and the federal financial regulatory agencies.

State regulators supervise 5,002 state-chartered banks with more than \$4.9 trillion in combined assets.¹ Further, most state banking departments oversee mortgage providers and many other financial services providers, such as money services businesses (MSBs), payday lenders, check cashers, and finance companies. State regulators license 16,022 mortgage companies, 131,725 individual mortgage loan originators (MLOs),² and more than 138,000 additional non-depository financial services providers across the nation.³

The vision of CSBS is to be the recognized leader in advancing the quality and effectiveness of regulation and supervision of state banking and financial services. The mission of CSBS is to support state regulators in advancing the system of state financial supervision by ensuring safety, soundness, and consumer protection; promoting economic growth; and fostering innovative, responsive supervision.

Background and History: CSBS is a non-profit organization headquartered in Washington, D.C. It was organized in 1902 as the National Association of Supervisors of State Banks. In 1971, the name of the organization was changed to the Conference of State Bank Supervisors to better reflect the ongoing nature of CSBS activities. For more than 110 years, CSBS has been uniquely positioned as the only national organization dedicated to protecting and advancing the nation's dual-banking system.

Corporate Governance: CSBS is a professional regulatory association, and its voting members and Board of Directors are exclusively state financial regulators. CSBS is governed by bylaws and a Board of Directors comprised of 20 regulator members. Directors are elected or appointed annually for one-year terms, except for the treasurer and the secretary, who may serve two consecutive terms in those positions. Officers consist of the chairman, chairman-elect, vice chairman, treasurer, secretary, and immediate past chairman, which comprise the CSBS Executive Committee. The chief executive officer of CSBS is the president, who is recruited and employed by the Board of Directors.

Similar to federal financial agencies, CSBS invites bankers and other financial services industry professionals to participate in the organization in an advisory capacity. These advisory groups promote communication between state regulators and their supervised industries, and provide industry perspective on issues of interest to the state regulatory system.

Affiliated Entities: In 1984, CSBS created the Education Foundation of State Bank Supervisors (EFSBS). In 2011, the EFSBS Board of Trustees voted to change the name of the foundation to the CSBS Education Foundation. The purpose of the CSBS Education Foundation is to fund and direct CSBS's education and training efforts. The membership of the CSBS Education Foundation is comprised solely of state bank regulators and interacts extensively with the CSBS Board of Directors. The CSBS Education Foundation Board of Trustees is chaired by Victoria Reider, Executive Deputy Secretary of the Pennsylvania Department of Banking and Securities. As Chairman of the CSBS Education Foundation Board of Trustees, Executive Deputy Secretary Reider is also a voting member of the CSBS Board of Directors. Other officers of the CSBS Education Foundation Board of Trustees are the vice chairman, treasurer, and immediate past chairman. There are a total of 16 members on the CSBS Education Foundation Board of Trustees.

¹ Source: Federal Deposit Insurance Corporation as of December 31, 2014.

² Source: CSBS-AARMR Nationwide Multistate Licensing System and Registry as of December 31, 2014.

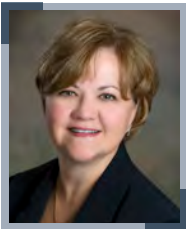
³ Source: CSBS 2012 Non-depository Survey. All states did not respond to the survey. This number includes money transmitters, money order, traveler checks, prepaid access cards, check cashers, payday lenders, pawn brokers, debt collectors, debt management companies, student lenders, credit report companies, currency exchangers, consumer lenders and finance companies, bond to deed/escrow agents, and credit report repair agents.

In 2006, CSBS, on behalf of state regulators, and in cooperation with the American Association of Residential Mortgage Regulators (AARMR), formed the State Regulatory Registry LLC (SRR), a limited liability corporation, to oversee the development and operations of the Nationwide Multistate Licensing System and Registry (NMLS, or the System) as a licensing and registration system for the non-depository financial services industries. The SRR Board of Managers is chaired by Robert J. Entringer, Commissioner of the North Dakota Department of Financial Institutions. The SRR

Board of Managers is comprised of eight state regulators, including the chairman of the CSBS Board of Directors, who serves on the SRR Board of Managers as an ex officio, non-voting member. As Chairman of the SRR Board of Managers, Commissioner Entringer is also a voting member of the CSBS Board of Directors. In addition to the chairman, officers of the SRR Board of Managers are the vice chairman and the CSBS treasurer. AARMR also has a voting board member on the SRR Board of Managers.

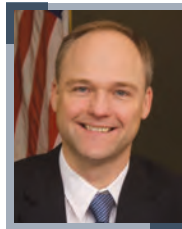
CSBS BOARD OF DIRECTORS

As of May 15, 2015



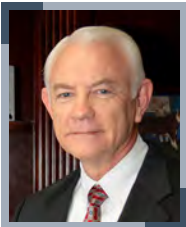
Chairman

Ms. Candace A. Franks
Bank Commissioner
 Arkansas State Bank Department



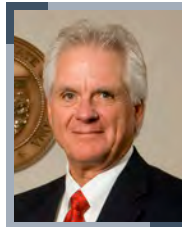
Chairman-Elect

Mr. David J. Cotney
Commissioner
 Massachusetts Division of Banks



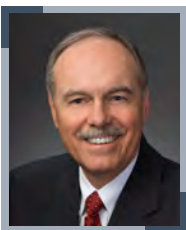
Vice Chairman

Mr. Charles G. Cooper
Banking Commissioner
 Texas Department of Banking



Treasurer

Mr. Lauren Kingry
Superintendent
 Arizona Department of
 Financial Institutions



Secretary

Mr. Charles J. Dolezal
Superintendent
 Ohio Division of
 Financial Institutions



Immediate Past Chairman

Mr. Charles A. Vice
Commissioner
 Kentucky Department of
 Financial Institutions

Chairman, CSBS District I

Mr. Glenn Perlow
Bank Commissioner
New Hampshire State Banking Department

Chairman, CSBS District II

Mr. Michael J. Mach
Administrator, Division of Banking
Wisconsin Department of Financial Institutions

Chairman, CSBS District III

Mr. Ray Grace
Commissioner
North Carolina Office of Commissioner of Banks

Chairman, CSBS District IV

Mr. Bret Afdahl
Director of Banking
South Dakota Division of Banking

Chairman, CSBS District V

Ms. Iris Ikeda
Commissioner
Hawaii Division of Financial Institutions

Chairman, CSBS Education Foundation**Board of Trustees**

Ms. Victoria A. Reider
Executive Deputy Secretary
Pennsylvania Department of Banking and Securities

Chairman, State Regulatory Registry LLC**Board of Managers**

Mr. Robert J. Entringer
Commissioner
North Dakota Department of Financial Institutions

Regulator Co-Chairman, CSBS Bankers Advisory Board

VACANT

Chairman, CSBS Foreign Bank Regulatory Committee

Mr. Robert Donovan
Deputy Superintendent of Banks
New York State Department of Financial Services

Chairman, CSBS Legislative Committee

Ms. Sally Cline
Commissioner of Banking
West Virginia Division of Financial Institutions

Chairman, CSBS Regulatory Committee

Mr. Richard Riccobono
Director, Division of Banks
Washington Department of Financial Institutions

Chairman, CSBS State Supervisory Processes Committee

Mr. Albert L. Forkner
State Banking Commissioner
Wyoming Division of Banking

Member-at-Large

Ms. Karen K. Lawson
Director, Office of Banking
Michigan Department of Insurance and Financial Services

Member-at-Large

Mr. Kevin B. Hagler
Commissioner
Georgia Department of Banking and Finance

EX OFFICIO

(Non-Voting Members of the Board)

Chairman Emeritus (2012–2013)

Mr. Greg Gonzales
Commissioner
Tennessee Department of Financial Institutions

Chairman Emeritus (2011–2012)

Mr. John P. Ducrest
Commissioner
Louisiana Office of Financial Institutions

Chairman Emeritus (2007–2008)

Mr. Jeffrey C. Vogel
Director
Wyoming Department of Audit

Chairman Emeritus (2006–2007)

Mr. E. Joseph Face, Jr.
Commissioner
Virginia Bureau of Financial Institutions

Chairman Emeritus (2003–2004)

Mr. Mick Thompson
Commissioner
Oklahoma State Banking Department

Chairman Emeritus (2002–2003)

Mr. Gavin M. Gee
Director
Idaho Department of Finance

Chairman Emeritus (1997–1998)

Mr. G. Edward Leary
Commissioner
Utah Department of Financial Institutions

Banker Co-Chairman, CSBS Bankers Advisory Board

Mr. Michael Poland
President
Farmers State Bank, Cameron, MO

CSBS Staff Director

Mr. John W. Ryan
President and CEO

LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

May 15, 2015

On behalf of the CSBS Board of Directors, I present you with the 2014 Annual Report of the Conference of State Bank Supervisors.

This report provides an overview of the activities and initiatives conducted by state regulators through CSBS in 2014. The report also provides perspective on our ongoing work and plans for 2015 and beyond.

CREATING AN APPROPRIATE AND FLEXIBLE REGULATORY FRAMEWORK

The basis of supervision is to create a safe and sound financial services industry. I see this to mean a diverse, resilient industry that provides credit to all corners of the nation, holds the confidence of its consumers, and is empowered to compete, innovate, and thrive.

Recent regulatory reform efforts by policymakers in Washington, D.C. have rightfully centered on addressing the problems posed by the largest, most systemically important banks. However, there is also widespread concern among regulators, policymakers, and the banking industry that many of these new rules pose an undue burden for most of the nation's small and medium-sized banks.

Instead of a one-size-fits-all approach to bank supervision, we need a flexible approach that is tailored for banks of varying sizes. Regulation must ensure safety and soundness and consumer protection, while still allowing banks to contribute to the economic stability and growth of local communities, the state, and the nation. This is what CSBS and my fellow state regulators call "regulatory right-sizing."

However, as I stated in my testimony to the Senate Banking Committee in February 2015, a consensus definition of a "community bank" has eluded policymakers. State regulators believe a definitional approach to identifying community banks that looks beyond asset size would facilitate a broad range of regulatory right-sizing initiatives. Specifically, lawmakers should consider a community bank definition that, in addition to asset size, considers qualitative factors that allow for flexibility in interpretation and application. These factors include whether an institution derives its primary funding from local markets, lends primarily to local markets, and engages in relationship lending.

To achieve a right-sized regulatory framework, we must fully understand the impact financial policy and regulation have on our supervised institutions. To this end, CSBS partners each year with the Federal Reserve System for the Community Banking in the 21st Century Research Conference. The conference brings an innovative approach to the study of community banking. Through a national survey and local town hall meetings, the community banking industry in-



Candace A. Franks, Chairman of CSBS and Bank Commissioner of the Arkansas State Bank Department

forms and provides feedback on the research and themes of the conference. At the same time, academics explore issues raised by the industry in a neutral, empirical manner, while also contributing their own independent research topics.

The second annual conference was held in 2014, and the response was outstanding. Through the national survey, town hall meetings, and an in-person conference, more than 1,000 community bankers participated. This feedback and input is critical to driving better policy and regulations. The third annual conference will be held Sept. 30—Oct. 1, again at the Federal Reserve Bank of St. Louis.

Industry feedback is just as vital to the Economic Growth and Regulatory Paperwork Reduction Act (EGRPRA) process. The banking industry is identifying unnecessary and unduly burdensome federal regulations, and state and federal regulators are working together to evaluate this feedback. The EGRPRA process provides another means by which we can further learn from the industry. As EGRPRA meetings continue across the nation into 2015, I encourage bankers and other stakeholders in the financial system to provide feedback on how to mitigate federal regulatory burden.

Understanding the challenges facing our chartered institutions and right-sizing regulations based on those challenges is just the starting point of sound supervision. We must

also ensure that our examiners are well-trained, well-informed, and have the necessary tools to most effectively do their job. This is why CSBS provides cutting edge training and professional development opportunities for state regulatory agencies through the CSBS Education Foundation.

Equipped with the knowledge, training, and local, on-the-ground experience, state regulators are uniquely positioned to understand the challenges facing community banks and their local economies. This is why it is critical that the state supervisory perspective is leveraged in the highest governance levels in federal regulatory agencies. Congress recognized this valuable perspective by passing a bipartisan provision requiring at least one member of the Federal Reserve Board to have experience either as a supervisor of community banks or a community banker.

CSBS will work during this session of Congress to further bolster state supervisory involvement at the federal level by encouraging legislation that would require state regulatory representation on the FDIC Board of Directors. Such legislation was introduced in both chambers of Congress in 2014, but failed to advance beyond committee referrals before the session ended.

As CSBS looks into 2015 and beyond, we will hold fast to the fundamentals of prudent risk management and regulatory balance that have served the dual-banking system so well for so long.

ADDRESSING NEW CHALLENGES

Technological innovation has spurred rapid developments in the financial services industry in recent years. Consumers are increasingly turning to virtual currencies, mobile payments, and other consumer financial products to conduct their financial business. Recognizing this change, CSBS established in 2014 the Emerging Payments Task Force to study changes in payment systems and to determine the potential impact of these changes on consumer protection, state law, and banks and non-bank entities chartered or licensed by the states. Among several major achievements in 2014, the Emerging Payments Task Force issued for public comment in December a draft Model Regulatory Framework that aims to promote consistent state regulation of virtual currency activities. I look forward to the additional work the Task Force will do in this area in 2015.

I think it warrants noting a key point of a white paper issued by CSBS in January 2015. In the white paper, "The Public Benefit of State Financial Services Supervision: State Regulators and Local Economic Development," CSBS discusses how state regulators' local licensing authority and regulatory agility allows them to effectively monitor and protect consumers in the constantly evolving non-bank financial services industry.

With the rapid change in technology comes growing cybersecurity threats, and here as well CSBS is proactively working to address new challenges. To support state regulators in our efforts to promote bank executive engagement in cybersecurity preparedness, CSBS launched the Executive Leadership of Cybersecurity (ELOC) initiative. The ELOC initiative—which includes the publication, "Cybersecurity 101: A Resource Guide for Bank Executives," available on CSBS's website—provides bank executives with a high-level, non-technical understanding of cybersecurity threats and shares industry best practices for managing cybersecurity risks. The positive industry response to the ELOC initiative is evidence CSBS's work surrounding cybersecurity has filled a gap in information sharing in this area.

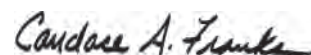
State financial regulators also took proactive steps in 2014 to address the significant growth of mortgage servicing assets held by non-depository servicers. These servicers provide a critical function in our housing finance system, and it is important for state regulators to understand how this growth should inform changes to the regulatory framework. To that end, CSBS launched the Mortgage Servicing Rights Task Force in October to analyze this growth and develop options for prudential standards for non-bank mortgage servicers. The work of the Task Force will continue into 2015.

LOOKING AHEAD

As the financial services industry continues to evolve, state regulators and CSBS are evolving as well. But the core principles we have held dear for centuries will remain the bedrock of our approach to supervision.

I look forward to continuing the work we have begun together through CSBS. We have achieved much in 2014, and there is much to do for 2015 and beyond.

Sincerely,



Candace A. Franks
Commissioner, Arkansas State Bank Department
Chairman, CSBS Board of Directors

LETTER FROM THE PRESIDENT AND CEO

May 15, 2015

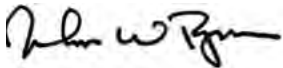
I am proud of the accomplishments state financial regulators, working together through CSBS, have achieved in 2014.

State regulators have a clear vision for the future of financial supervision. By working with one another and coordinating with federal financial regulators, state regulators are working to address supervisory challenges and enhance the strengths of our financial system. Tailored, flexible, and “right-sized” regulation, combined with coordinated, seamless supervision are critical to fostering a financial services industry that promotes local and state economic development and supports local businesses and lending.

CSBS is integral to these efforts. Through CSBS, state regulators have created an efficient and comprehensive system of supervision, which empowers individual state regulators.

We have inherited an important legacy in the United States: a diverse banking and financial services industry. Concerns about industry consolidation, a lack of new charters, and what these trends mean for the state of banking and the economy as a whole remain for CSBS and state regulators. Our course is not set. With better-informed policy and the power of all the nation’s 50- plus state regulators working together through CSBS, we will continue toward a comprehensive and successful supervisory framework that best serves the citizens, businesses, and health of our nation.

Sincerely,



John W. Ryan
President and CEO



*John W. Ryan, President and CEO of the
Conference of State Bank Supervisors*

CSBS STRATEGIC PLAN

The following strategic plan was approved and adopted by the CSBS Board of Directors in December 2014. This long-term plan will guide CSBS staff efforts and will be implemented in the coming years.

Vision

The Conference of State Bank Supervisors will be the recognized leader advancing the quality and effectiveness of regulation and supervision of state banking and financial services.

Mission

CSBS supports state regulators in advancing the system of state financial supervision by ensuring safety, soundness, and consumer protection; promoting economic growth; and fostering innovative, responsive supervision.

Guiding Values

- **Collaboration**—To effectively meet the needs of our diverse economy, the banking and financial services sector demands collaboration and effective dialogue and planning. CSBS will work actively to convene state and federal regulators, other state associations, and industry to identify regulatory challenges and facilitate consensus.
- **Education**—A hallmark of CSBS's work has been the education of a broad base of banking, financial services, and regulatory stakeholders to empower state decision making, to serve its members, and to communicate the value and benefits of a strong dual-banking system and state regulation.
- **Innovation and responsiveness**—CSBS is dedicated to addressing the evolving needs of banking and financial services consumers by facilitating a competitive and diverse market.
- **Integrity**—Honesty and fairness are foundational to public and industry confidence in our regulatory system.
- **Professional excellence**—CSBS will continue to provide training, engage thought leaders, and maintain the highest of standards in all that we do.
- **Relationship building**—CSBS's work depends on our ability to effectively communicate and understand many points of view. Through strong relationships CSBS will continue to work with and learn from others.
- **Communication**—CSBS understands that to be effective and support our vision and mission we must listen and learn before we formulate positions and then share our work in a manner that is understandable and adaptable to CSBS's audiences/stakeholders.

Strategic Plan Objectives

Objective 1.

Bank Regulation and Supervision: Promote right-sized regulation and supervision of banks consistent with their size, complexity, overall risk profile, and risk to the financial system.

Develop appropriate legislative, regulatory, and supervisory solutions. Equip state supervisors to challenge the inappropriate or disproportionate application of federal regulation. Promote the role of state agencies to differentiate them from federal regulators. Support the role and value of banks in the community and economy.

Objective 2.

Non-Bank Regulation and Supervision: Facilitate an effective system of non-bank regulation and supervision, ensuring consumer protection and access to necessary financial services and credit.

Coordinate the role of the states and the appropriate federal agencies. Advocate, communicate, and highlight the roles of state agencies. Provide support for the activities of the state system.

Objective 3.

Education and Professional Standards: Educate and inform examiners, the public, government officials, and CSBS stakeholders.

Instill confidence among stakeholders and the public in the state system of financial regulation by enabling high-quality state agency licensing, exam, and management staff through training, certification, and accreditation.

2014 Highlights

By the Numbers



11

11 research papers presented at the Community Banking in the 21st Century Research Conference



16

16 comment letters on regulatory proposals



1,000+

More than **1,000 community bankers** from **38 states** participated in the Community Banking in the 21st Century Research Conference survey

More than **1,300 bankers** from **30 states** participated in the Community Banking in the 21st Century town halls meetings



1,300+/30



8 state mortgage agencies earned accreditation or reaccreditation through the CSBS-AARMR Mortgage Accreditation Program

11 state banking agencies were re-accredited through CSBS's Bank Accreditation Program



11



1 state—Massachusetts—that received the first joint bank, credit union, and mortgage supervision accreditation through CSBS, NASCUS, and AARMR

46 agencies using the Uniform Mortgage Test on NMLS

61 state agencies using NMLS as the system of record

359,992 state-licensed mortgage loan originators (MLOs) in NMLS



1,030

1,030 state examiners certified by CSBS



25

25 on-site training events



1 seat at the table: As at least one member of the Federal Reserve Board of Governors must now have experience either as a supervisor of community banks or a community banker.



11

11 witnesses who testified at a public hearing held by CSBS on the changing landscape of the payments system



2

2 Commissioners that testified before Congress on behalf of CSBS

STATE OF THE BANKING INDUSTRY

The United States' banking system is one of the most diverse banking systems in the world. This is due largely to the U.S.'s unique dual-banking system, which provides financial institutions the choice of being regulated at the state level or by the federal government. A by-product of the dual-banking system is diversity among banking organizations. This diversity ranges from small community banks to large financial conglomerates and has become a vital part of the success of the U.S. banking system. So it is of great concern to state bank regulators to see the alarming number of banks that have exited the banking system over the years.

Since 1985 the number of banks in the U.S. has dropped from more than 18,000 to approximately 6,500 in 2014.⁴ While these banks vary in terms of size and business model, 93 percent (6,037) of all U.S. banks are considered to be community banks, which are primarily regulated by state bank regulators.⁵ In fact, state bank regulators charter and supervise 77 percent of the nation's roughly 6,500 insured depository institutions.⁶ The Office of the Comptroller of the Currency charters and supervises the remaining 23 percent of insured depository institutions.⁷

INDUSTRY CHARTER FORMATION

One of the markers of a vibrant banking industry is the presence of new market entrants. Since the industry's high point in 1985, the number of banks making up the financial system has dropped by 11,525, or 64 percent,⁸ due in part to merger and acquisition activity. The number of new market entrants has not kept pace with this industry consolidation, especially since the financial crisis. From the time of the financial crisis through the end of 2014, there have only been two de novo charters. These two start-up banks represent the only new charters to have emerged in the post-crisis banking industry. The ability to charter a bank to meet local needs is a fundamental strength of the banking system and key to our economic success.

The ongoing low interest rate environment and weak economic activity have been the main inhibitors to new bank formation. As the economy continues to strengthen and interest rates begin to normalize, policymakers should ensure that policies and procedures encourage and foster de novo banking activity, not discourage it.

4 FDIC Statistics on Depository Institutions, at <https://www2.fdic.gov/sdi/>.

5 Ibid.

6 Ibid.

7 Ibid.

8 FDIC Statistics on Depository Institutions, at <https://www2.fdic.gov/sdi/>.

9 FDIC 2012 Community Bank Study. <https://www.fdic.gov/regulations/resources/cbi/study.html>

ECONOMIC VALUE OF COMMUNITY BANKS

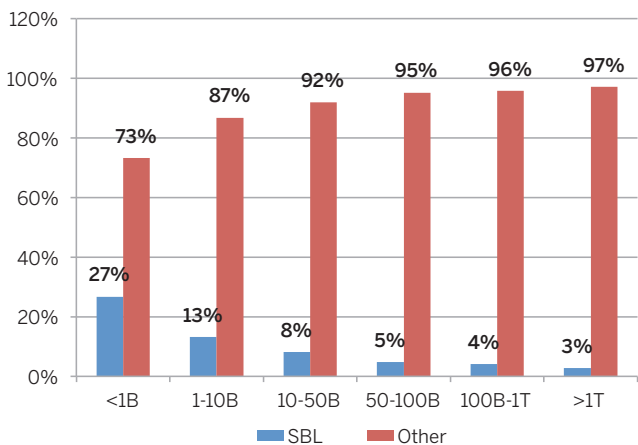
Community banks are vital to local economies due to their local presence and focus. Community banks play a critical role in providing credit and banking services to all corners of the U.S., especially small towns and rural areas where community banks are likely to be the only banking options.

One key characteristic of community banks that make them so valuable to local communities, and so different from larger banks, is the community bank relationship-business model. Community banks serve local economies by tailoring their loans and financial services around the customers within their geographically limited markets. Conversely, the largest banks leverage economies of scale in order to offer standardized mortgage and consumer products across a diversity of U.S. and global markets.

Small Business Lending

Even with the rise of megabanks and industry consolidation, community banks continue to play an especially large role in providing credit to small businesses and farms, holding 46 percent of the banking industry's small loans to farms and businesses.⁹ Figure 1 shows that community banks with less than \$1 billion in assets make 27 percent of their total loans to small businesses. Figure 1 also shows that the largest banks with more than \$1 trillion in assets only make 3 percent of their loans to small businesses.

FIGURE 1. SHARE OF SMALL BUSINESS LOANS TO ALL OTHER LOANS AS OF Q4 2014



Source: FDIC Statistics on Depository Institutions

The standardized loan models used by large banks cannot accommodate the characteristics of many small businesses, such as uneven cash flows, irregular revenue, and the need for small loans. These are just the kinds of loans that community banks excel at making. Research shows that the closer in proximity a start-up business is to a community bank the more likely it is to receive a personal loan to use for business purposes.¹⁰ Conversely, the further away a start-up firm is from a local community bank, the more likely it will be to use more expensive business and personal credit cards. In other words, access to formal bank credit has been shown to enhance start-up companies' chances of survival, and community banks lending in local markets are key drivers of business and job creation.

Mortgage Lending

Community banks also offer tailored mortgages to homebuyers in local communities throughout the country that are held in portfolio for the life of the loan. When a bank holds a mortgage loan in its portfolio, it retains the full risk of default. Thus, community banks engaged in portfolio lending are fully motivated to make sure the borrower is able to repay the loan. Additionally, if a homeowner defaults, community bank portfolio lenders are compelled to work with the borrower to fix the problem. Consequently, the interests of borrowers and community bank portfolio lenders are inherently aligned.

Just like small business loans, community banks leverage local and personal expertise when making home loans. By knowing the homebuyer, the property, and the real estate market in question, community banks can tailor a loan to a borrower's particular circumstances. But increasingly, community bankers are finding it challenging to operate according to their traditional relationship-lending business model.

THE REGULATION AND SUPERVISION OF COMMUNITY BANKS

Over the past few years, CSBS has observed bicameral, bipartisan recognition in Congress of the regulatory costs and obstacles facing community banks. But there is also recognition that more must be done in order to achieve a more flexible, tailored regulatory landscape where community banks can succeed.

Congress has been challenged in enacting significant regulatory reforms aimed at right-sizing community bank regulation, and policymakers are often unable to agree on what

type of institution constitutes a community bank. This has prevented policymakers from getting to the point of considering meaningful regulatory right-sizing proposals.

State regulators recognize the shortcomings of bank regulatory reform efforts and have called on policymakers to rethink the current approach to regulating and supervising community banks.

State regulators believe a definitional approach of what a community bank is, would provide the necessary foundation for a more appropriate regulatory framework for community banks.

As such, CSBS has approved a policy position that identifying a community bank should not be based solely on asset size. This policy is based on the idea that community banks do not fit into a box that can be defined by simple line-drawing. Community banks are best identified by looking at asset size as well as qualitative factors that allow for flexibility in interpretation and application. These factors should reflect attributes such as whether an institution derives its funding primarily from the local market or markets in which it operates, focuses on lending in its local market, engages in relationship lending, or possesses a management structure and philosophy that maintains a focus on these attributes.

The definitional approach could be used as a basis for a broad range of regulatory right-sizing initiatives. Instead of crafting specific exemptions in law or leaning on boilerplate statements like "appropriate for the size and complexity of the institution," there would be a clear process for defining a community bank. With a new process in place to identify community banks, Congress and regulators could then move forward in a holistic manner to provide regulatory and supervisory right-sizing for these institutions.

For state regulators, the objective is not less regulation. The objective is regulation and supervision that reflects and appreciates the business model, size, and complexity of financial institutions in order to ensure their long-term viability. Data presented in this state of the state banking industry section is evidence of the intrinsic value of community banks to urban centers and rural communities across the country.

Congress, federal policymakers, and state regulators all have a common goal of ensuring a safe and sound and diverse dual-banking system that allows financial institutions of all sizes to not only survive, but succeed. And while some efforts have been put forth in recognition of this, there is more work to do in this area.

¹⁰ Smith Williams and Yan Y. Lee, "Do Community Banks Play a Role in New Firm Survival?," 2013.

STATE OF THE NON-DEPOSITORY INDUSTRY

In addition to being the chartering authority for the vast majority of the nation's 6,500 banks, state regulators license and supervise a wide variety of non-depository financial service providers. As such, state regulators are at the forefront of a non-depository industry that is in a state of transition. For two decades, non-depository business models have become increasingly integral to the financial services industry. Non-bank financial service providers, such as mortgage lenders, payday lenders, and money services businesses are a crucial resource for credit availability and basic financial services. Further, advances in technology have spurred the manner in which lending decisions are made and how value is transferred. State regulators, through CSBS, work across this dynamic non-depository financial services industry to ensure consumers are protected in an environment that is conducive to financial and technological innovation.

Dynamic industries require responsive regulation, both to protect the public and to increase regulatory efficiency for responsible institutions. Accordingly, state regulators developed the Nationwide Multistate Licensing System and Registry (NMLS, or the System), a vital tool for the regulation of non-depository financial services providers. NMLS serves as a one-stop-shop for non-depository licensing. Currently, a non-depository mortgage loan originator can manage all of his or her licenses on NMLS with the click of a mouse, replacing a 50-state paper-based system. This efficiency is expanding to other non-depository industries, including money services businesses, debt collection, and consumer credit industries. By the end of 2014, 61 state agencies were using NMLS to manage the process for companies and individuals to apply for, renew and surrender over 538 different non-depository financial services license types.

RESIDENTIAL MORTGAGE LENDING

State Mortgage Licensing

In 2014, all states, the District of Columbia, Puerto Rico, Guam, and the U.S. Virgin Islands participated in NMLS to license mortgage companies, branches, and mortgage loan originators (MLOs).¹¹ As of year-end 2014, there were a total of 131,725 state-licensed MLOs (Figure 2).

This full representation of the state-regulated mortgage industry in a single system makes it possible for state regulators and industry to have the information needed to identify business activities and trends.

Figure 3 compares the growth in entities to the number of licenses issued throughout the year. While the total number of companies with mortgage licenses decreased by one

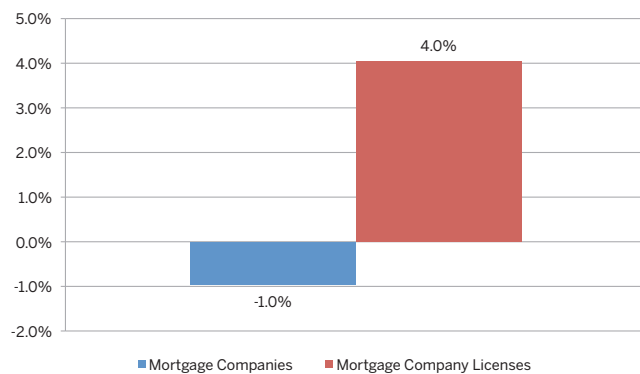
FIGURE 2: TOTAL LICENSES AND ENTITIES IN NMLS

State Licensed	2013		2014	
	Entities	Licenses	Entities	Licenses
Companies	18,993	39,903	19,882	44,020
Branches	23,467	43,066	25,583	49,904
MLOs	130,311	331,351	131,725	359,992

Federally Registered	2013	2014
Institutions	10,848	10,566
MLOs	404,239	398,492

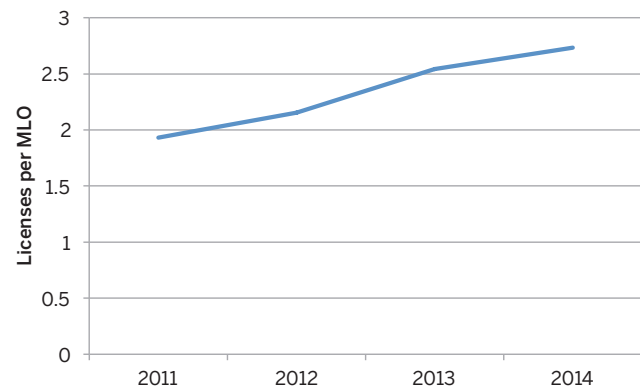
Source: NMLS

FIGURE 3: ANNUAL GROWTH—ENTITIES VS. LICENSES



Source: NMLS

FIGURE 4: ANNUAL GROWTH—AVERAGE NUMBER OF LICENSES PER MLO



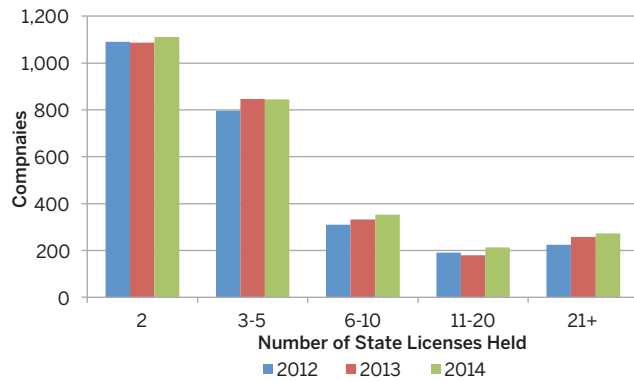
Source: NMLS

percent during 2014, the number of state mortgage licenses held by all companies increased by four percent.

With regard to MLOs in the System, the number of individuals was relatively unchanged (1.1 percent increase), while licenses held by MLOs grew 8.6 percent. The average number of licenses held per MLO has now grown to 2.73 (Figure 4).

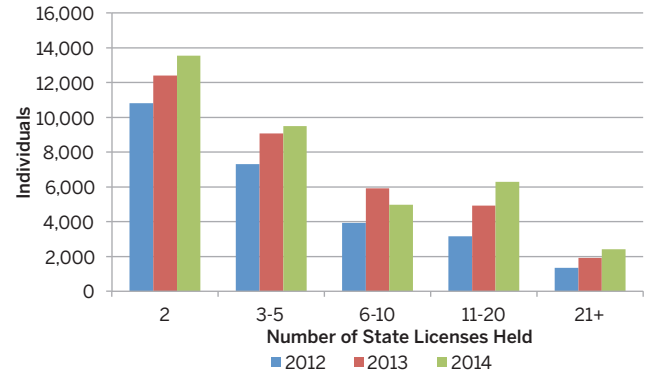
¹¹ Two state agencies currently do not manage mortgage company licenses in NMLS: Texas Office of Consumer Credit Commissioner and Utah Department of Financial Institutions.

FIGURE 5: ANNUAL GROWTH—COMPANIES BY LICENSES HELD



Source: NMLS

FIGURE 6: ANNUAL GROWTH—INDIVIDUALS BY LICENSES HELD

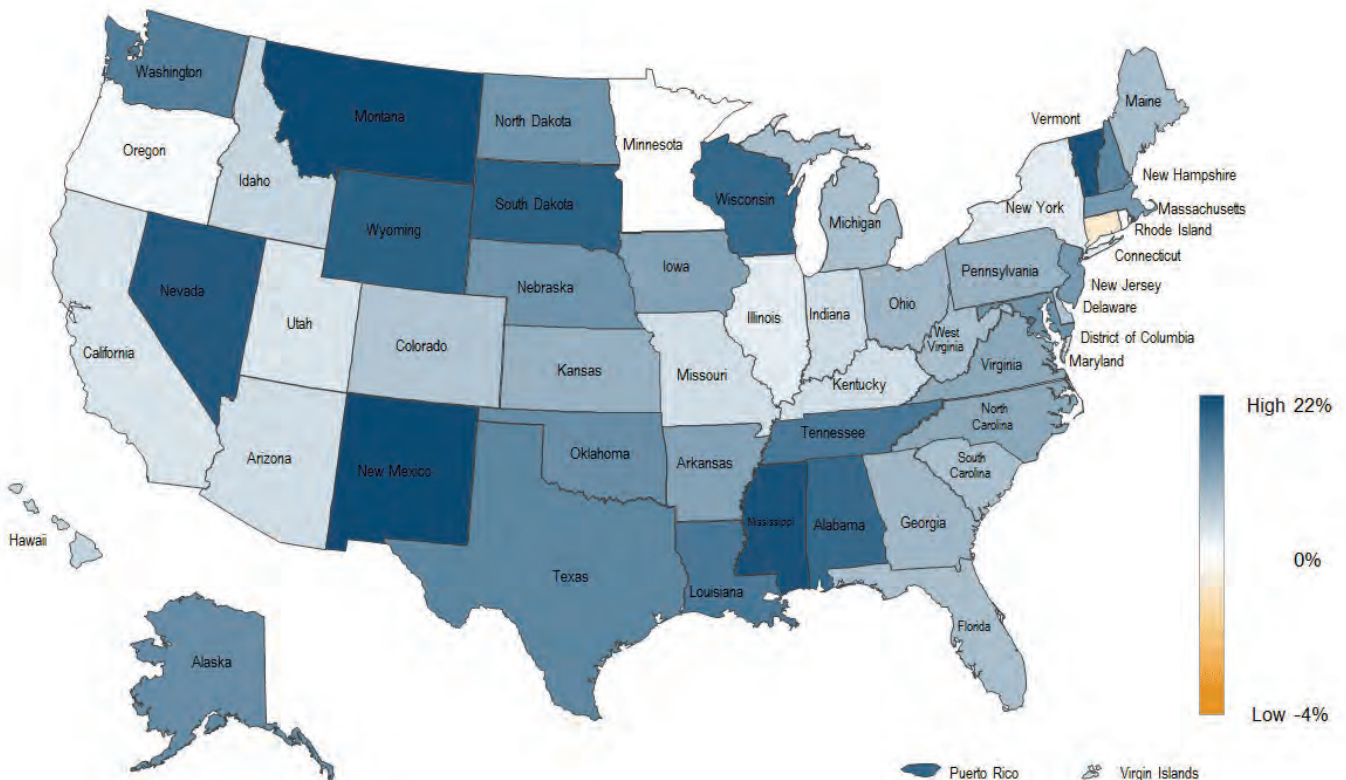


Source: NMLS

Similar to 2013, the fastest-growing segment in NMLS is the population of companies and individuals licensed in more than 10 states (Figures 5 and 6). The number of companies operating in more than 10 states grew 11 percent, and MLOs licensed in more than 10 states grew 27 percent. MLOs holding only one state license declined one percent.

MLO numbers increased in every state except Connecticut, which saw a decrease of four percent. Figure 7 depicts the percentage of net growth in MLO licenses around the country. Mississippi, Montana, and New Mexico each saw MLO licenses increase by more than 20 percent.

FIGURE 7: ANNUAL GROWTH—MLO LICENSES PER STATE



Source: NMLS

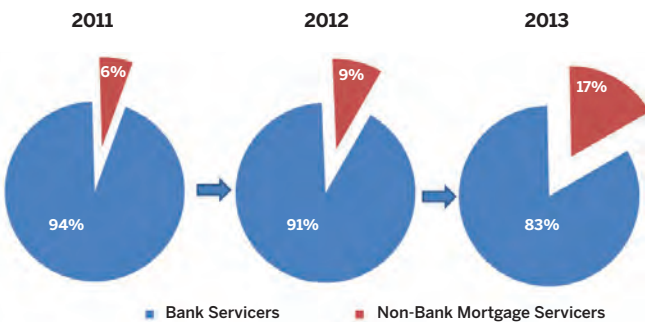
Federal Mortgage Registration

Over the course of 2014, the number of actively registered MLOs in NMLS declined 1.4 percent to 398,492 individuals employed by 10,566 institutions. Although the number of actively registered MLOs slightly decreased, the number of registered MLOs and institutions remains relatively constant.

MORTGAGE SERVICING

Companies that specialize in servicing mortgage loans, particularly troubled loans, provide an important service to the mortgage finance system. Banks still dominate the mortgage servicing market. However, over the past few years, an increasing share of mortgage servicing rights (MSRs) has shifted out of commercial banks and into non-bank mortgage servicing companies. When examining the 30 largest bank and non-bank mortgage servicers from 2011 through 2013, the Federal Housing Finance Agency (FHFA) estimates that share of MSRs held by non-bank mortgage servicers increased from six percent to 17 percent. The FHFA also estimates that of the nearly \$10 trillion mortgage servicing market, non-bank mortgage servicers now hold \$1.4 trillion in MSRs.¹² Figure 8 shows the recent shift of MSRs out of commercial banks and into non-bank mortgage servicers from 2011 through 2013.

FIGURE 8: RECENT GROWTH OF NON-BANK MORTGAGE SERVICERS



Source: FHFA

There are a number of factors driving the migration of MSRs out of banks and into non-bank servicers. First, the Basel III capital rules, which apply to banks but not non-bank mortgage servicers, have made MSRs more expensive to retain. The large spike in delinquent and defaulted loans following the housing downturn and financial crisis has also contributed heavily to the transfer of MSRs to non-bank servicers.¹³ Indeed, a large share of the MSRs transferred from banks to non-bank servicers consists of troubled loan portfolios. Servicing such loans is a high-touch and labor-intensive process, and commercial banks may view troubled loans as too challenging and costly to service.

In its 2014 Annual Report, the Financial Stability Oversight Council (FSOC)¹⁴ identified the rapid growth in non-bank mortgage servicers as a market development that warranted heightened risk management and supervisory attention. The FSOC recommended that state regulators work together to develop prudential and corporate governance standards for non-bank mortgage servicing companies, in collaboration with the Consumer Financial Protection Bureau (CFPB) and FHFA.¹⁵

State regulators are well positioned to respond to regulatory risks in the non-bank servicing industry. The states serve as the regulatory authority of non-bank companies specializing in mortgage loan servicing, and have experience regulating a diverse range of depository and non-depository financial services providers. Given this experience and responsibility, state regulators have begun the process of designing a comprehensive prudential regulatory framework for non-bank mortgage servicers.

Following the FSOC's recommendation, state regulators, through CSBS, formed a Mortgage Servicing Rights Task Force in 2014 to examine the current mortgage servicing market and to develop recommendations for prudential standards for non-bank servicers. State regulators announced recommendations in early 2015.

12 "FHFA Actions to Manage Enterprise Risks from Nonbank Servicers Specializing in Troubled Mortgages." Federal Housing Finance Agency, July 2014, pgs. 1-2. Available at: <http://fhfaig.gov/Content/Files/AUD-2014-014.pdf>.

13 "FHFA Actions to Manage Enterprise Risks from Nonbank Servicers Specializing in Troubled Mortgages." Federal Housing Finance Agency, July 2014, pgs. 1-2. Available at: <http://fhfaig.gov/Content/Files/AUD-2014-014.pdf>.

14 The Financial Stability Oversight Council consists of the following members: Secretary of the Treasury, Chairperson of the Board of Governors of the Federal Reserve System, Comptroller of the Currency, Director of the Consumer Financial Protection Bureau, Chairperson of the Securities and Exchange Commission, Chairperson of the Federal Deposit Insurance Corporation, Chairperson of the Commodity Futures Trading Commission, Director of the Federal Housing Finance Agency, Chairperson of the National Credit Union Administration, a presidentially-appointed independent member with insurance expertise, Director of the Office of Financial Research (non-voting), Director of the Federal Insurance Office (non-voting), a state insurance commissioner (non-voting), a state banking supervisor (non-voting), and a state securities commissioner (non-voting).

15 "2014 Annual Report." Financial Stability Oversight Council, May 2014, pg. 10. Available at <http://www.treasury.gov/initiatives/fsoc/Documents/FSOC%202014%20Annual%20Report.pdf>.

MONEY SERVICES BUSINESSES (MSBS)

The NMLS has proven to be a tremendous resource for MSB licensing and supervision. Financial services categorized as MSB activities in NMLS include: money transmission, check cashing, issuing or selling travelers checks, issuing or selling drafts, foreign currency dealing and exchange, issuing or selling money orders, bill paying, transporting currency, and issuing or selling prepaid access/stored value products.

As of year-end 2014, 28 state agencies were managing MSB licenses in NMLS (Figure 9). In NMLS, 1,502 companies hold a total of 3,047 approved MSB licenses, with 167 companies licensed in more than one state.

OTHER INDUSTRIES IN NMLS

State agencies regulate a wide range of financial services and this diversity is reflected in NMLS. As of year-end 2014, 31 state agencies in 28 states were managing one or more license authorities that could be generally categorized as consumer finance and consumer debt. This additional license management led to an increase in the number of companies participating in NMLS, reflecting a variety of financial services activities regulated by the states (Figure 10).

FIGURE 10: NUMBER OF AUTHORIZED AGENTS IN NMLS BY COMPANY SIZE

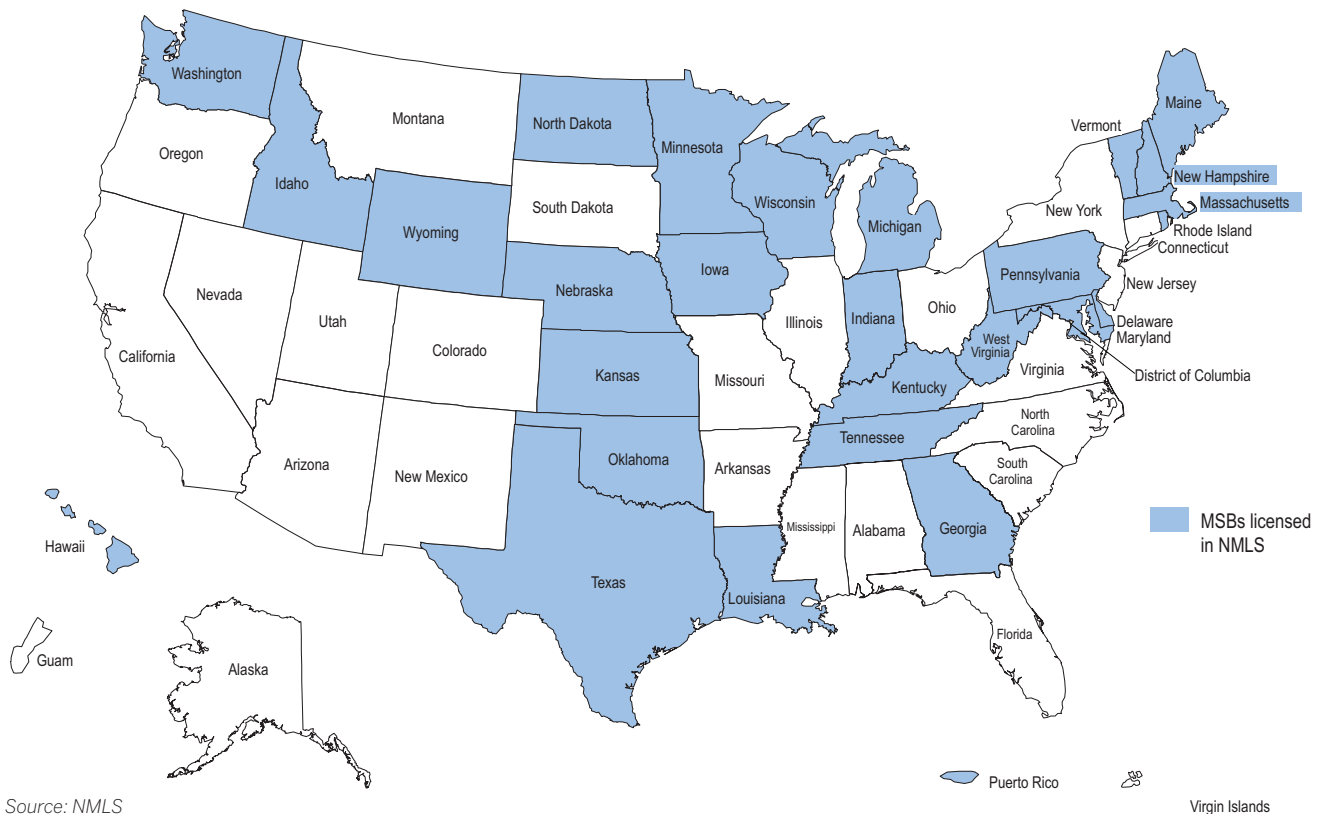
Number of Agents in NMLS	Companies
10,000 or more	5
5,000 – 9,999	3
1,000 – 4,999	9
500 – 999	6
100 – 499	16
50 – 99	14
10 – 49	23
Less than 10	56
0 (No Agents Used by Principal)	50

Source: NMLS

LOOKING AHEAD

Technology continues to drive innovation and change in the non-depository financial services arena. State regulators are well-positioned to respond to these market evolutions and new market participants, applying a comprehensive regulatory framework to ensure safety and soundness and consumer protection in the non-depository marketplace.

FIGURE 9: STATES MANAGING MSB LICENSE TYPES IN NMLS



Source: NMLS

PROMOTING THE STATE FINANCIAL SYSTEM IN CONGRESS

OVERVIEW

CSBS works to represent the interests of state financial regulators to members of Congress. In doing so, CSBS aims to ensure state regulators have a strong, unified voice on Capitol Hill and that lawmakers enact financial legislation that recognizes diversity in the banking industry and the crucial role of state regulators in the financial regulatory landscape.

Ensuring that Congress considers and incorporates the state regulatory perspective requires constant effort and a variety of approaches. This necessitates ongoing and consistent engagement with congressional staff and key members of Congress, active monitoring and analyses of legislative proposals, direct engagement by state financial regulators with their representatives, and formal expressions of policy views through letters to Congress and congressional testimony.

The CSBS Legislative Committee, chaired by West Virginia Division of Financial Institutions Commissioner Sally Cline, serves as CSBS's legislative policy deliberating body. The Legislative Committee is the forum through which state regulators review and consider legislative proposals that could impact state financial regulation.



Sally Cline, Chair of the CSBS Legislative Committee and Commissioner of the West Virginia Division of Financial Institutions.

In 2014, CSBS, under the guidance of the CSBS Legislative Committee, examined a range of federal legislative proposals regarding the regulation and the supervision of banks and non-banks. In reviewing pending legislation, a primary concern for CSBS was ensuring the viability of the community bank business model and advocating for right-sized regulations and supervision for community banks.

CONGRESSIONAL ENGAGEMENT IN 2014

Congressional activity in 2014 touched on a variety of financial regulatory issues. Top agenda items for the U.S. House

Financial Services Committee and the U.S. Senate Banking Committee, key committees with jurisdiction of bank-related legislation, included oversight of the implementation of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act); housing finance reform; access to banking services for payday lenders and other "high risk" bank customers; enhancing federal-state coordination for the supervision of MSBs; and easing the supervisory and regulatory burden facing community banks.

CSBS put forth great effort to ensure federal lawmakers considered the state perspective as these issues were debated. Despite a challenging atmosphere for affecting change last Congress, CSBS played a leading role in advancing several issues of great importance to state financial regulators. This progress has positioned CSBS and state regulators well as the 114th Congress began its work in 2015.

Seats at the Table

State financial regulators interact with their federal regulatory counterparts on a regular basis. This coordination is important and meaningful in achieving successful policies that consider diverse perspectives. As such, a key legislative priority for CSBS has been to ensure state supervisory representation at the highest levels in federal banking agencies. Because the Federal Deposit Insurance Corporation (FDIC) and the Board of Governors of the Federal Reserve System share supervisory responsibility for more than 5,000 state-chartered banks with state financial regulators, it is critical these two federal regulatory agencies have leadership that understands the important role of state supervision and the vital role community banks play in local economic development.

The Federal Reserve and the FDIC are responsible for carrying out federal mandates. This perspective differs materially from that of state financial regulators who, as the regulator and chartering authority for nearly 77 percent of all banks in the U.S., have a local focus and bring a needed perspective on the condition of local credit markets and the role of banks in communities throughout the country.

Federal Reserve Board of Governors

Building on efforts started in 2013 examining the composition of the Federal Reserve Board, CSBS worked extensively in 2014 with Congress to pass legislation mandating that at least one governor on the Federal Reserve Board have experience working in or supervising community banks. The issue was raised in congressional hearings and bipartisan letters to the White House. Ultimately, Congress enacted and President Obama signed into law a change to the Federal Reserve Act that explicitly requires at least one Federal Reserve governor have "demonstrated primary experience working in or supervising community banks." The law defined community banks as those institutions with total

assets less than \$10 billion. This legislation was signed into law in January 2015. In a public statement following enactment of the law, CSBS President and CEO John W. Ryan said: "With this legislation, Congress has reaffirmed that community banks are an integral part of the American financial system, that state regulators provide valuable perspective on local economies, and that the dual-banking system continues to serve both consumers and state-chartered financial institutions well."

FDIC Board of Directors

The Federal Deposit Insurance Act (FDI Act) and congressional intent require that one of the positions on the FDIC Board of Directors be held by someone who has worked as a state official responsible for bank supervision. CSBS believes congressional intent makes it clear this requirement should be met by an individual who has worked in state government as a state bank regulator. However, the current make-up of the FDIC Board is not consistent with the letter of the law.

To ensure the FDIC Board meets congressional intent as expressed in the FDI Act, CSBS worked with members of Congress in 2014 to introduce bipartisan legislation clarifying existing law. The legislation, titled the State Regulatory Representation Clarification Act, clarifies existing law that requires the FDIC Board include an individual who has served as a state bank supervisor. Neither the House or Senate bill made it to a vote in the 113th Congress, but CSBS's efforts helped advance the dialogue among federal policymakers on the intent of the FDI Act and the value of having state bank supervisory experience on the FDIC Board.

Right-Sized Approach to Bank Regulation

CSBS strongly believes community banks play a necessary role in the U.S. financial services system. To that end, CSBS's single greatest legislative priority is to maintain the viability of the community bank model by advocating for a tailored, flexible approach to bank regulation and supervision, which takes into account a bank's size, complexity, risk profile, and business model. CSBS calls this "regulatory right-sizing."

A national survey of banks conducted by CSBS in 2014 showed that while there are growing opportunities for community banks doing business in today's economy, community banks continue to face several challenges to their continued success, including certain difficulties caused by federal regulation and supervision. At the direction of the CSBS Board of Directors, CSBS developed regulatory relief proposals in 2014 ensuring regulation and supervision reflect the community bank business model.

In advocating for more right-sized financial regulations, CSBS supported efforts by members of Congress to introduce legislation that would provide a more flexible approach to the Consumer Financial Protection Bureau's (CFPB) Ability-to-Repay rule. The CFPB's rule allows for greater flexibility for balloon loans made in rural areas. However, CSBS and its members saw significant flaws with the way the CFPB rule identifies rural areas, which would exclude many areas that are truly rural or underserved. As a solution, CSBS proposed developing a mechanism where stakeholders in areas deemed not rural could petition the CFPB for further consideration. This new rural petition approach gained favorable attention by the national media and was a key topic during congressional hearings. The concept of a rural petition process was embraced by lawmakers and eventually included in bipartisan legislation sponsored by Representative Andy Barr (R-KY) in the House, and Senator Mitch McConnell (R-KY) in the Senate.

While the rural petition bill came close to passing at the end of 2014, ultimately, the bill did not pass. CSBS's efforts, however, did lead to the CFPB issuing revisions to the Ability-to-Repay rule to improve the metrics for defining rural areas as well as expand the balloon loan exemption to small institutions originating fewer than 2,000 first-lien mortgages entering the secondary market, as opposed to 500 first-lien mortgages regardless of whether said mortgages were held in portfolio.

Non-Depository Financial Supervision

Another legislative priority for CSBS has been enacting legislation enhancing the operability of the Nationwide Multistate Licensing System and Registry (NMLS or the System). Building on the success of the NMLS as the regulatory system for the mortgage industry, NMLS has become a common platform for states to use in licensing other regulated non-depository financial services providers, such as check cashers, debt collectors, money transmitters, consumer creditors, and pawnbrokers. As states expand their use of NMLS, CSBS has sought to enhance the System's protections for privileged and/or confidential information, and to solidify the states' authority to process criminal background checks through NMLS.

Both the U.S. House and Senate voted on separate bipartisan bills addressing privilege and confidentiality protections in the 113th Congress. Additionally, legislation regarding criminal background checks was introduced in the House. While neither bill was enacted, one proposal, the SAFE Act Privilege and Confidentiality Enhancement Act,¹⁶ has been reintroduced in the in the 114th Congress, and is well-positioned for progress in 2015.

¹⁶ The SAFE Act Privilege and Confidentiality Enhancement Act was introduced in a previous session of Congress and reintroduced March 19, 2015. <https://www.govtrack.us/congress/bills/113/hr4626/text>.

CONGRESSIONAL TESTIMONY

Congressional hearings are the principal formal method used by Congress to collect and analyze information and to obtain stakeholder input. For this reason, congressional hearings are a powerful forum for ensuring Congress hears the state regulatory perspective as it considers and develops financial policy.

CSBS is sometimes called upon by federal lawmakers to share state regulators' perspectives on financial regulatory issues. In 2014, state financial regulators were called upon to give congressional testimony on behalf of CSBS twice.

CSBS Legislative Committee Chair and West Virginia Commissioner Sally Cline gave congressional testimony in July 2014 before the House Financial Services Committee's Subcommittee on Financial Institutions and Consumer Credit. In her testimony, Commissioner Cline urged passage of legislation that ensured consistent protection of confidentiality and privilege of information across all regulatory agencies and licensed entities using NMLS.



Sally Cline testifying before the U.S. House Financial Services Committee's Subcommittee on Financial Institutions and Consumer Credit.

CSBS Immediate Past Chairman and Kentucky Commissioner Charles Vice testified in September 2014 before the Senate Banking Committee. Testifying alongside federal financial regulators on the supervisory and regulatory environment for community banks, Commissioner Vice urged Congress to do more to right-size financial policies and regulations to ensure community banks can continue their vital contributions to local economic development.



Charles A. Vice, Commissioner of Financial Institutions for the Commonwealth of Kentucky and Immediate Past Chairman of CSBS, urges the U.S. Senate Committee on Banking to do more to right-size financial policies and regulations for community banks.

In early 2015, CSBS Chairman and Commissioner of the Arkansas State Bank Department Candace Franks testified before the Senate Banking Committee where she highlighted ways in which policymakers can adopt right-sized policy solutions for community banks and shared state regulators' vision for a new framework for community bank regulation.

Chairman Franks' testimony noted policymakers' difficulty in identifying community banks by asset size. To address this challenge, Chairman Franks urged policymakers to develop a definitional approach to identifying community banks that looks not only at asset size but also considers qualitative factors that allow for flexibility in interpretation and application. These factors should reflect attributes such as whether an institution derives its funding primarily from the local market or markets in which it operates, focuses on lending in its local markets, engages in relationship lending, or possesses a management structure and philosophy that maintains a focus on these attributes.

GOVERNMENT RELATIONS FLY-IN

Every year, CSBS hosts its Government Relations Fly-In (Fly-In), inviting state financial regulators to Washington, D.C. for two days of regulatory briefings and legislative advocacy. During the Fly-In, CSBS distinguishes itself as a non-partisan advocate for flexible, common-sense regulatory policies and for a diverse financial services industry. CSBS members use the Fly-In as an opportunity to inform policymakers on the legislative priorities of state financial regulators.

In March 2014, more than 60 state financial regulators representing 35 state agencies attended the Government Relations Fly-In. In addition to meetings with federal financial regulators and their home-state congressional delegations, state regulators attended sessions with House Financial Services Committee Chairman Jeb Hensarling (R-TX), Ranking Member Maxine Waters (D-CA), Senate Banking Committee Ranking Member Mike Crapo (R-ID), and Freshman Senator Heidi Heitkamp (D-ND).

State banking commissioners have relied on the Fly-In not just as a forum to discuss public policy, but an opportunity to develop and maintain relationships with federal financial agencies and key members of Congress.



Ranking Member of the U.S. House Financial Services Committee Maxine Waters (D-CA) discusses Committee priorities at the 2014 CSBS Government Relations Fly-In.



Senator Mike Crapo (R-ID) speaks to state regulators about financial regulation during the CSBS Government Relations Fly-In.



Chairman of the U.S. House Financial Services Committee Jeb Hensarling (R-TX) takes questions from state regulators at the 2014 CSBS Government Relations Fly-In.



Senator Heidi Heitkamp (D-ND) speaks with state financial regulators during the CSBS Government Relations Fly-In.

THE STATE PERSPECTIVE ON REGULATORY POLICY

OVERVIEW

State financial regulators charter and supervise the vast majority of the nation's financial institutions. They are responsible for chartering and supervising more than 5,000 state-chartered banks, credit unions, and in some states for licensing and overseeing an array of non-bank financial services providers. While state regulators oversee banks of all sizes, most of the banks they supervise are community banks.

Accordingly, state regulators have a long history of innovating to improve regulatory and supervisory processes to accommodate the community bank business model in order that banks may better meet the needs of consumers and local and state economies. State financial regulators' local focus and proximity to regional economic conditions is a strength of the state banking system, as state regulators are well positioned to spot emerging trends before they become a national concern.

CSBS works on behalf of its state financial regulatory members to advance the quality and effectiveness of state regulation and supervision to benefit the public by ensuring safety and soundness, promoting economic growth and consumer protection, and fostering innovative state regulation and supervision of the financial services industry.

Because of state regulators' roles and where they fit in the broader regulatory framework of the U.S. dual-banking system, state regulators regularly engage with their federal counterparts to ensure federal regulatory policies are appropriately tailored to community banks and their relationship-based lending model. State regulators' vision for the U.S. banking system is for a system that takes a balanced approach to regulation and supervision and that appropriately tailors policies to a bank's risk profile, size, and business model.

PROMOTING COMMUNITY BANK RESEARCH AND THE IMPACT OF STATE FINANCIAL SUPERVISION

In September 2014, CSBS partnered with the Federal Reserve System to host its second annual Community Banking in the 21st Century Research and Policy Conference.



John W. Ryan, President and CEO of CSBS, gives opening remarks at the second Annual Community Banking in the 21st Century Research Conference in St. Louis, Missouri.

Better understanding the impact financial policy and regulations have upon community banks and the financial system as a whole requires sound research. By hosting the research conference, CSBS's goal is to foster new research and better data collection on the community banking industry in order to provide a better basis for future public policy.



James Bullard, President and CEO of the Federal Reserve Bank of St. Louis, welcomes attendees to the Community Banking in the 21st Century Research Conference.

The 2014 research conference brought together bankers, academics, state and federal regulators, and other stakeholders to examine three major themes: community bank formation, behavior, and performance; the effect of government policy on bank lending and risk taking; and the effect of government policy on community bank viability.



Jerome Powell, Federal Reserve Board Governor, gives remarks at the Research Conference.

In addition to showcasing new and compelling academic research during the conference, CSBS and the Federal Reserve released findings from a 2014 national survey of more than 1,000 community bankers, and details from town hall meetings attended by more than 1,300 community bankers across 38 states. The national survey provided regulators with key data to help quantify the challenges facing community banks and how these banks are responding to changing market conditions.



Julie Stackhouse, Senior Vice President and Managing Officer of Banking Supervision, Credit, Community Development and Learning Innovation for the Federal Reserve Bank of St. Louis.



Esther George, President of the Federal Reserve Bank of Kansas City, at the second Annual Community Banking in the 21st Century Research Conference.

The research conference represents an innovative approach to the study of community banks. Through the national survey and local town hall meetings, the community banking industry informs the research and themes of the conference. Community bankers also participate on panels during the conference where they provide feedback on academic research. At the same time, academics explore issues raised by the industry in a neutral, empirical manner, while also contributing their own independent research topics. This forum is unique in how it brings together a diverse array of industry participants to better understand the role of community banks in the U.S. financial system and to stimulate thinking and debate on the appropriate regulatory framework for community banks.



Michael L. Stevens, Senior Executive Vice President of CSBS, presents the results of the 2014 community banker survey during the Community Banking in the 21st Century Research Conference.

The Public Benefit of State Financial Services Supervision

In 2014, CSBS continued to promote the viability of community banks and the value of the state system of supervision.



Under the direction of the CSBS Community Bank Steering Group, which is chaired by Shane Deal, Deputy Commissioner of the Minnesota Department of Commerce, CSBS released a white paper titled *The Public Benefit of State Financial Services Regulation*.

Shane Deal, Chairman of the CSBS Community Banking Steering Group and Deputy Commissioner of the Minnesota Department of Commerce.

The white paper examines the public benefit and value that state regulators provide to consumers, the financial institutions they license and supervise, and their local economies. The paper highlights three areas in which state financial regulators' local authority and regulatory focus provides particular value:

- Supporting a strong community banking system;
- Leading in non-depository supervision; and
- Promoting local economic development.

The paper also features specific cases that highlight how various state banking departments have provided value and benefit to their consumers, regulated entities, and state economies.

Case Study Competition

Additionally in 2014, state regulators, through the Community Bank Steering Group, moved forward with plans to promote interest in community banking careers through a pilot undergraduate community bank case study competition. The full case study competition, which will launch in 2015, will partner undergraduate students with local community banks to evaluate these institutions' impact on their local economies, foster additional research on community banking, and connect students with potential employers in the process.

STATE FINANCIAL REGULATORS COMMENT ON 2014 PROPOSALS

Throughout 2014, the CSBS Regulatory Committee, chaired by Richard Riccobono, Director of the Division of Banks of the Washington Department of Financial Institutions, identified, analyzed, and commented on a number of federal regulatory proposals. This was done through regular and on-going meetings with federal regulatory agencies, submission of formal written comments, and dialogue at various forums, conferences, and other events.

Systemic Risk

To address lingering concerns about the systemic risks posed by "too big to fail" institutions, state financial regulators, through the CSBS Regulatory Committee, engaged the federal banking agencies on the Basel III rulemaking.



This engagement included the liquidity coverage ratio and revisions to the supplementary leverage ratio. CSBS believes these rules help ensure the largest banking organizations have sufficient liquidity and are adequately capitalized to withstand significant market stress.

Richard Riccobono, Director of the Division of Banks at the Washington Department of Financial Institutions and Chairman of the CSBS Regulatory Committee.

State financial regulators also commented on proposals regarding the orderly resolution of global systemically important banks (G-SIBs). These proposals include the Federal Deposit Insurance Corporation's Single Point of Entry Strategy and the Financial Stability Board's consultative document on cross-border recognition of resolution actions. State bank departments license and supervise material operations of G-SIBs. For this reason, state regulators should be involved in the resolution planning processes of such institutions. To that end, CSBS outlined how state regulators' crucial licensing and supervisory authority over G-SIBs' U.S. banking activities makes it important that state regulators take part in resolution planning.

Disproportionate Impact on Community Banks

The Consumer Financial Protection Bureau (CFPB) issued a proposed rule in 2014 that contained significant amendments to Regulation C, the implementing regulation for the Home Mortgage Disclosure Act (HMDA).

After the release of the CFPB proposal, CSBS formed a working group of state regulators to review the proposal's amendments and determine the impact of the HMDA changes on state supervised institutions, especially community banks. Following the review, state regulators expressed concerns in a comment letter to the CFPB that the new reporting requirements would impose a disproportionate cost burden on community banks, citing that HMDA reporting is resource intensive, and would likely require small banks to hire additional compliance staff to implement the new reporting requirements.

As HMDA data is a key source of information for the enforcement of fair-lending laws (including the Fair Housing Act and Equal Credit Opportunity Act), the comment letter also addressed fair-lending concerns. HMDA reporting violations also account for the majority of fair-lending enforcement actions. State regulators have heard from their

supervised institutions that there is great concern regarding regulatory uncertainty and a lack of transparency when undergoing fair-lending examinations. To that end, CSBS urged the CFPB to clarify compliance expectations and provide precise definitions of what constitutes a reporting error. To make the HMDA and fair lending correlation clearer, CSBS also encouraged the CFPB to release its model for analyzing HMDA data and called on other federal agencies to do the same.

The Financial Crimes Enforcement Network (FinCEN) issued a notice of proposed rulemaking in 2014 that would require covered institutions to follow explicit due diligence requirements on customer accounts. The proposal attempts to clarify expectations on understanding the nature and purpose of customer relationships and conducting ongoing monitoring to maintain and update customer information. In the process of reviewing the proposal, state regulators expressed concern that the additional requirements imposed on covered financial institutions could impose additional cost burden, increase regulatory scrutiny, and exacerbate the growing trend of non-depository account closures. CSBS submitted comments noting the potential disproportionate impact of the proposal on smaller depository institutions and encouraged FinCEN to work with state regulators to bring clarity to Bank Secrecy Act/Anti-Money Laundering compliance requirements.

Consumer Protection

In 2014 the CFPB proposed amendments to its 2013 mortgage rules, which included a “cure” mechanism that would allow lenders to correct overages from points and fee miscalculations. Although state regulators do not typically find discount point problems with community banks, discount points can be one of the more error- or abuse-prone areas of points and fee calculations. State regulators have identified cases, especially during the lead up to the financial crisis, in which lenders charged non-bona fide discount points that did not buy the rate down for consumers as expected. CSBS has urged the CFPB to ensure that the proposed “cure” does not allow unscrupulous lenders to disguise or promote the misuse of discount points to inappropriately gain Qualified Mortgage safe harbor status.

Consumer Complaint Information Sharing

CSBS, through coordination with the CFPB, has sought to ensure that consumer complaints are shared between regulatory agencies in a more coordinated and efficient manner, while safeguarding consumer information. During the summer of 2014 the CFPB issued a proposal to include consumer narratives within the Consumer Complaint Database. When submitting comments on the proposal, CSBS sought clarification on several subjects, including whether complaints filed directly with the CFPB will be treated differently than complaints that are channeled through the

states. CSBS encouraged the CFPB to take steps to ensure that the proposal does not unintentionally inhibit a more robust system of complaint information sharing between state regulators and the CFPB.

Federal Home Loan Bank (FHLB) Membership

State banking departments serve as the chartering agency and primary regulator for the majority of the nation’s community banks, most of which are FHLB members. The Federal Home Loan Banks advances are critical sources of liquidity for community banks across the country. To that end, when the Federal Housing Finance Agency (FHFA) proposed revisions to regulations governing FHLB membership, CSBS commented that the FHFA’s proposal to impose ongoing mortgage asset threshold tests on new and current members could lead to community banks unnecessarily losing a stable and critical source of funding through termination of their FHLB membership. CSBS cautioned that, as the economy recovers, the FHFA and other regulatory agencies should ensure that any new regulation imposed on community banks and insurance companies is necessary for safety and soundness reasons. State regulators are focused on ensuring that the FHLB System remains a stable and strong source of funding for community banks.

Privacy Disclosure

The CFPB proposed in 2014 to allow financial institutions that limit the sharing of customer information with unaffiliated third parties to post privacy disclosures required by the Gramm-Leach-Bliley Act (GLBA) on their websites. CSBS supported this proposal, because community banks are significantly less likely than their large bank or non-bank counterparts to share customer’s information in a way that would trigger a customer’s opt-out rights under GLBA, and they would benefit from reduced costs associated with the proposed privacy disclosure requirements.

Streamlined Regulation

CSBS also supported a proposal by the Federal Reserve Board to repeal duplicative regulations that would impose an unnecessary burden on financial institutions and provide opportunity for inconsistent or conflicting application of standards during examinations. These regulations were the Gramm-Leach-Bliley Act’s Regulation P, which requires, among other things, that financial institutions provide an annual disclosure of their privacy policies to their customers; and the Truth in Savings Act’s Regulation DD, which requires depository institutions to disclose the terms of deposit accounts to consumers so that they can make informed decisions.

CSBS’s official comments on federally proposed rules are publicly available on the CSBS website at www.csbs.org/regulatory.

COORDINATION IN BANK SUPERVISION

OVERVIEW

CSBS works closely with state banking departments to implement new bank supervisory processes, to develop and improve best practices, and to maintain examination tools, all with the aim of improving supervision for the benefit of regulators, the industry, and consumers. CSBS does this by bringing together representatives of individual state banking departments to coordinate and work together on important bank supervisory matters.



From left to right: Massachusetts Commissioner David J. Cotney, CSBS President and CEO John W. Ryan, Kentucky Commissioner Charles A. Vice, Arkansas Bank Commissioner Candace A. Franks, Texas Bank Commissioner Charles Cooper, and Tennessee Commissioner Greg Gonzales, at the State-Federal Supervisory Forum in Chicago.

This cooperation among state banking departments is a principal role of CSBS. Through CSBS's efforts to foster interstate engagement on a number of broad and sometimes nuanced financial regulatory issues, varying perspectives of individual states are heard, which improves supervision through information sharing and allows regulators to make informed decisions. This joint effort also helps to improve efficiency and consistency in state bank supervision.

In addition to serving as a forum for state regulators to work together, CSBS also facilitates communication between state and federal regulators. In this post-crisis era of financial regulation, state-federal coordination has become increasingly important for bank regulators. This is evident from the various state, federal, and state-federal committees, work groups, and task forces that currently focus on bank supervisory issues.

STATE COORDINATION

The primary mechanism for coordinating state bank supervision is the CSBS State Supervisory Processes Committee (SSPC). Chaired by Wyoming Division of Banking Commissioner Albert Forkner, the SSPC is tasked with identifying supervisory challenges and coordinating efforts to develop best practices in bank supervision and with the CSBS state bank and mortgage regulatory accreditation program.

To more effectively manage bank supervisory issues, the SSPC formed smaller working groups specializing in certain aspects of bank supervision. These working groups



Albert Forkner, Chairman of the SSPC and Commissioner of the Wyoming Division of Banking.

include the State Examiner Review Team, the Risk Identification Team, and the Information Technology (IT) Advisory Group. The CSBS Technology Committee also plays an integral role in state-to-state coordination surrounding technology trends.

CSBS Technology Committee

The CSBS Technology Committee is charged with developing IT best practices and information sharing between the states. The committee is chaired by Danny Ragan, Information Technology Director of the Louisiana Office of Financial Institutions. The Technology Committee also supports the development of examiner technology tools.

State Examiner Review Team (SERT)

Chaired by Doug Hoselton, Supervising Examiner of the North Dakota Department of Financial Institutions, the SERT is a longstanding team of examiners that work with the CSBS Technology Committee and the SSPC to coordinate the development of examination standards, oversee the development of interagency examination tools, and identify areas where the examination process can be improved.

Risk Identification Team and Advisory Group (Risk ID Team)

The Risk ID Team and its Advisory Group were created in late 2013 as part of the SSPC from a shared recognition by state financial supervisors that examiners are the best positioned to detect emerging risks and new supervisory challenges. The Risk ID Team is chaired by Mike Johns, Chief of the Bureau of Bank Regulation, District I for the Florida Office of Financial Regulation. The Risk ID Team and its Advisory Group is comprised of more than 100 examiners from nearly every state banking department.

Membership in the Risk ID Team is open to all state field examiners and is specifically designed not to intrude on an examiner's field examination responsibilities. Risk ID Team members benefit by gaining a strong understanding of what the supervisory risk landscape looks like across the country and through the peer-to-peer dialogue on issues of common importance.

STATE-FEDERAL COORDINATION

Federal Financial Institutions Examination Council (FFIEC)

CSBS helps facilitate state-federal coordination through engagement on the FFIEC.

The FFIEC is a formal interagency body tasked to prescribe uniform principles, standards, and report forms for the examination of financial institutions and to make recommendations to promote uniformity in the supervision of financial institutions. Members of the FFIEC include the Board of Governors of the Federal Reserve System (Federal Reserve), the Federal Deposit Insurance Corporation (FDIC), the Office of the Comptroller of the Currency (OCC), the National Credit Union Administration (NCUA), the Consumer Financial Protection Bureau (CFPB), and the State Liaison Committee (SLC).



David J. Cotney, Commissioner of Banks for the Commonwealth of Massachusetts and Chairman of the SLC.

The SLC was established to incorporate the state supervisory perspective into the FFIEC and to make recommendations to promote uniformity in the supervision of financial institutions at the state and federal level. The SLC is comprised of five representatives of state banking departments designated by CSBS, the American Council of State Savings Supervisors, the National Association of State Credit Union Supervisors, and the FFIEC. In 2014, Commissioner of Banks for the Commonwealth of Massachusetts David J. Cotney served as chair of the SLC, a position which entails acting as the voting representative for the SLC.

The states' involvement on the FFIEC has informed initiatives of the SSPC, such as ongoing work to improve examiners' ability to monitor and assess institutions' exposure to interest rate risk. Improving an examiner's ability to assess and monitor an institution's compliance with existing interest rate risk guidance is a forward-looking effort by the SSPC, given the likelihood of a rising interest rate environment.



Lauren Kingry, Superintendent of the Arizona Department of Financial Institutions and Treasurer of CSBS, gives Charlotte Corley, Commissioner of the Mississippi Department of Banking and Consumer Finance, an award of appreciation from the FFIEC at the annual State-Federal Supervisory Forum.

STATES DEVELOP EXAMINER GUIDE ADDRESSING NEW MORTGAGE RULES

On January 10, 2014, the Ability-to-Repay and Qualified Mortgage rule (QM) took effect. As these new rules took effect, necessary changes were also made to examination procedures, a process in which CSBS facilitated with the release of its QM Flowchart, a supplementary reference guide that was developed to better equip examiners for QM inquiries from banks during examinations.

The QM Flowchart is available on the CSBS website at http://www.csbs.org/regulatory/resources/Documents/CSBS_QM_flowchart.pdf.

The QM flowchart was developed by members of the SERT. The SERT identified that due to the new QM rules, changes needed to be incorporated into the examination process and developed a job aid that made this process simpler and more consistent for all states. This is an example of states working together to foster better consistency and communication among all state regulatory agencies.

WORKING TOGETHER TRANSLATES TO BETTER INFORMED STATE-FEDERAL REGULATORY REGIMES

The QM rules were not the only significant regulatory change that state regulators and CSBS addressed in 2014. The regulatory capital rules changes, which took effect in early 2015, were also addressed.

Regulatory capital will be subject to a number of changes over the coming years, having a direct impact on financial institutions and examiners nationwide. For this reason, CSBS helped to facilitate state-federal coordination surrounding the rule changes through the SLC of the FFIEC. State regulators worked alongside federal regulators in the

development of standards and procedures implementing the new capital rules, most notably the Consolidated Reports of Condition and Income (Call Reports).

Through this coordinated involvement, CSBS and state regulators represented on the SLC were well-positioned to communicate the many complex changes of the capital rules to examiners at state banking departments working to implement these changes into their own regulatory processes. Accordingly, the SERT developed and released in November 2014 a Regulatory Capital (Basel III) Rule Changes reference guide, which is available on the CSBS website at <http://www.csbs.org/regulatory/resources/Documents/Capital%20Basics%20Job%20Aid.pdf>.

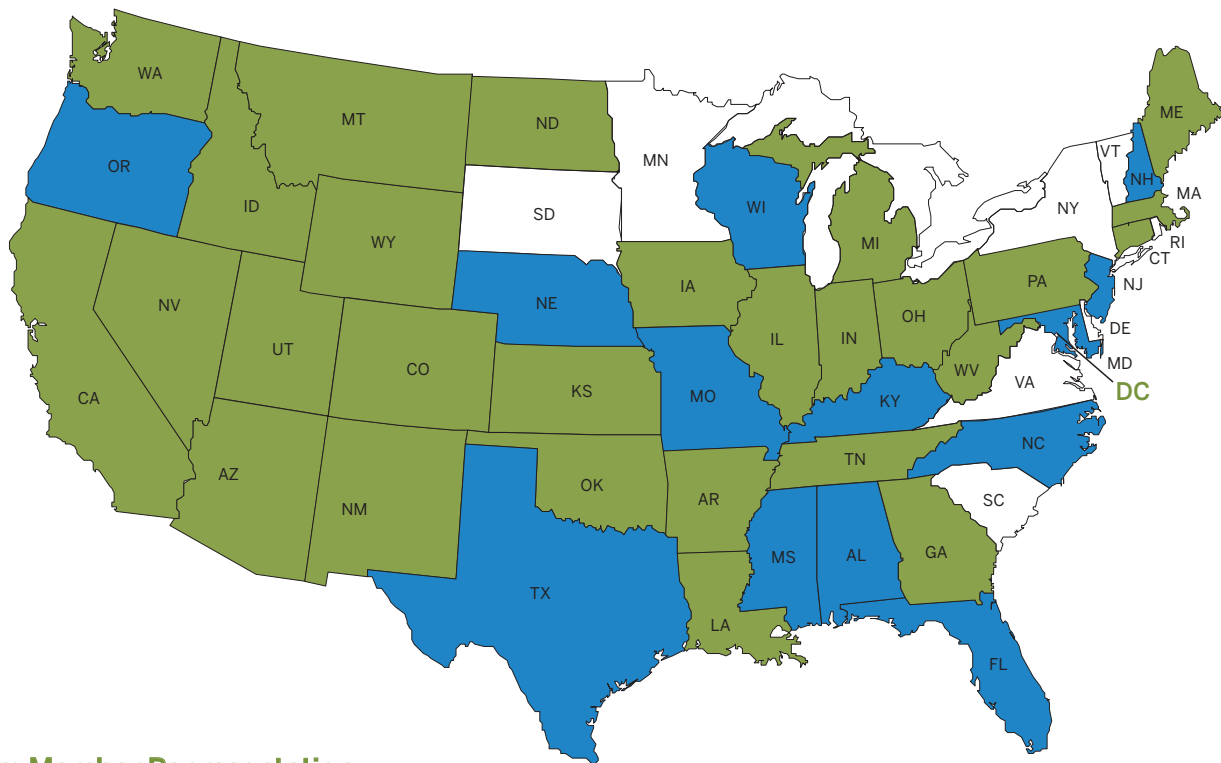
The reference guide consolidates many of the most important rule changes affecting community banks into an easy-to-understand reference document for examiners.

IDENTIFYING EMERGING RISKS, TRENDS, AND CHALLENGES

Changes in the capital rules uncovered some unique supervisory challenges identified by the CSBS Risk ID Team. These challenges involved the implementation of a new method for recognizing gains and losses.

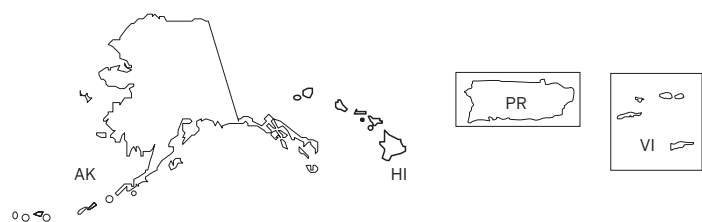
Because the new method is optional for all but the largest and most complex institutions, and because it is uncommon for regulatory capital rules to be delineated by different populations of financial institutions, the Risk ID Team flagged these changes as an issue often difficult to explain to bank management teams during examinations.

FIGURE 11: RISK ID TEAM PARTICIPATING STATE BANKING DEPARTMENTS



Team Member Representation

Advisory Group Representation



Source: CSBS

To address this challenge, CSBS coordinated resources across the Risk ID Team, SERT, and the SSPC to release a risk advisory bulletin on the topic. Risk advisory bulletins are timely notifications that describe issues examiners may find challenging, highlight emerging risks or trends, or bring attention to a supervisory concern in a particular area of the country. The bulletins are created by leveraging the expertise of state regulators. The bulletins serve to deepen regulators' awareness of issues across the country and improve examiners' understanding of how these risks translate to their day-to-day supervisory responsibilities.

In addition to the bulletin on regulatory capital rules, the Risk ID Team released several bulletins throughout the year, ranging from topics such as the increasing gap between farmland and commodity prices, to the implications of falling oil and gas prices later. The success of these bulletins illustrates the importance of state coordination and supervision as a means to quickly and efficiently address emerging supervisory issues. Risk advisory bulletins will continue to be a critical function of the Risk ID Team going forward.

ADDRESSING CYBERSECURITY IN BANK SUPERVISION

Cybersecurity was a high priority for financial regulators in 2014. Throughout the year, state regulators worked with their federal counterparts through the FFIEC to raise awareness of cybersecurity risks at financial institutions and the need to identify, assess, and mitigate these risks in light of the increasing volume and sophistication of cyber threats.

During the summer of 2014, the FFIEC piloted a cybersecurity assessment at more than 500 community institutions to evaluate the institutions' preparedness to mitigate cybersecurity risks. The assessment was conducted by state regulators, the FDIC, the OCC, the NCUA, and the Federal Reserve. The pilot supplemented regularly scheduled exams and built upon key supervisory expectations contained within existing FFIEC IT handbooks and other regulatory guidance. The assessment was developed over several months with contributions from all members of the FFIEC. State regulators played an integral role in the development of the pilot assessment program.

While the development of the assessment was resource-intensive and required careful coordination across state and federal regulatory agencies, the value of this joint and consistent approach is significant. State and federal regulators working together led to greater industry participation in the assessment and a wider industry acknowledgement of their cybersecurity preparedness.

In addition to working with their federal counterparts on cybersecurity efforts, in the summer of 2014 state regulators launched, through CSBS, their own cybersecurity initiative to increase the understanding and awareness of cybersecurity risk among the ranks of bank senior leadership.

MODERNIZING EXAMINATION TOOLS FOR THE FUTURE

Development continued in 2014 on the Examination Tools Suite (ETS), a multi-year, state-federal initiative led by the FDIC to replace the two most-commonly used software applications for conducting bank examinations.

State regulators, through CSBS, have played an integral role since the launch of this modernization initiative in 2008. The development and testing of the ETS initiative requires careful assessment by a team of examiners. State examiners had significant participation in these assessments, ultimately contributing to the decision to advance the application to the testing phase. Through the participation of examiners on the ETS initiative, state regulators were ensured the state perspective was conveyed throughout the process.

Over the course of several in-person meetings and assessments, state examiners took a leadership role in guiding the ETS initiative to a point of readiness for user acceptance testing in late 2014.

User acceptance testing, which is the final phase of implementation, is set to take place in the first half of 2015. During this phase CSBS will maintain an active role, helping to ensure that final changes to this software product meet the needs of all state banking departments.

Implementation of the ETS is tentatively scheduled to begin in 2016. In the meantime, CSBS will work to develop a plan of implementation that meets the training, technology, and process requirements of every state banking department.

In addition to work on future examination tools, the SERT and the CSBS Technology Committee actively engaged in efforts to improve examiners' use of existing applications, namely ETS-ALERT, the asset review tool modernized in 2012. The SERT working group joined efforts with the CSBS Technology Committee to develop an examiner conference in Minneapolis, Minnesota to improve users' understanding of ETS-ALERT's complex functions. The conference proved to be a valuable forum for states to identify training needs for ETS-ALERT, develop content, and staff it internally. The conference was developed by the states, conducted by the states, and directly benefited the states.

ADVANCING STATE NON-DEPOSITORY SUPERVISION

OVERVIEW

In addition to banks, state financial regulators also license and regulate non-depository financial services providers, including payday lenders, check cashers, debt collectors, money service businesses, mortgage companies, and mortgage loan originators.

State financial regulators are the front line of non-depository supervision. In order to promote more consistent and efficient supervision, state financial regulators coordinate with one another to conduct examinations of non-depository financial services providers operating in multiple states.

CSBS's work in the area of non-depository supervision and consumer protection coalesces around committees and work groups comprised of state regulators and supported by CSBS. A critical function of these committees is coordination at the multi-state and state-federal level. Coordination among state and federal non-depository regulators is likely to yield more effective supervision, and often a reduction in cost and burden to both regulators and the industry. As state banking departments and federal agencies continue to implement laws, new regulations, and supervisory processes, the need for enhanced coordination among regulators and the finance industry increases.

MULTI-STATE MORTGAGE COMMITTEE (MMC)

CSBS and the American Association of Residential Mortgage Regulators (AARMR) established the Multi-State Mortgage Committee in 2008, which is comprised of 10 state regulatory officials appointed by CSBS and AARMR. In 2014, the MMC was chaired by Rick St. Onge, Examination Chief of the Division of Consumer Services for the



Washington Department of Financial Institutions. The MMC is the inter-state oversight body charged with implementing, directing and coordinating supervisory processes related to supervision of multi-state mortgage entities.

Rick St. Onge, Examination Chief of the Division of Consumer Services for the Washington Department of Financial Institutions and Chair of the MMC.

The MMC works to:

- Protect consumers;
- Ensure safety and soundness of institutions;
- Deter money laundering and fraud;
- Supervise and examine in a seamless, flexible, and risk-focused manner;
- Minimize regulatory burden and expense; and
- Foster consistency, coordination, and communication.

MMC Examinations Overview

The MMC is responsible for the selection of examination targets and coordinating multi-state mortgage examinations and enforcement actions. In addition, the MMC is responsible for the development of uniform examination processes and the modernization of traditional examination approaches for achieving more effective supervision. When necessary, the MMC coordinates, directs, and negotiates enforcement resolution occurring under individual state authority.

The MMC has overseen 49 examinations conducted by state examiner teams since the beginning of 2010. The size of entities examined is varied, with some holding licenses in every state and some holding licenses in only 10 states. The examinations performed by the states include traditional full-scope exams, servicing exams, and Limited-Scope Electronic exams (LSEs). Individual states have satisfied more than 600 required exams through the multi-state process since 2010.¹⁷ Approximately 250 state examiners have participated in multi-state examinations, and most states have participated in at least one exam.

MMC 2014 Origination Examination Highlights

The MMC oversaw four origination examinations in 2014 and found violations and operational problems of varying natures within the companies examined. The most significant and common of these violations was the charging of fees in excess of what is legally allowed. Some instances required the states to take regulatory action. State regulators also discovered some companies charged hundreds of dollars in fees with no clear benefit to the borrower. Regulators also found that problems with the content and timing of disclosures were prevalent. Documentation and record-keeping deficiencies were a problem as well.

¹⁷ Using an average of 13 states conducting 49 exams.

MMC 2014 Servicing Examination Highlights

In addition to mortgage originators, state regulators also conduct examinations of non-bank mortgage servicers. In 2014, the MMC coordinated four servicing examinations. Problems related to questionable signature authority, lost or missing loan documents, and title issues were uncovered by the exams. Many of the aspects of the National Mortgage Settlement¹⁸ generally do not appear to be adopted. Dual tracking, the process where a mortgage servicer continues to foreclose on a homeowner's home while simultaneously considering the homeowner's application for a loan modification, continues to be a problem. When linked with certain states' foreclosure requirements, this has resulted in serious consumer harm.

Financial condition reviews for mortgage servicers revealed significant numbers of repurchased loans held as a percentage of capital. Reviews indicated relaxed underwriting and default clause triggers as reasons for repurchase activity. Combined with a satisfactory, but declining trend in earnings, liquidity positions that remain dependent on facilities that can quickly call borrowing lines, and numerous problems with escrow account balance and levels, the MMC believes there remains cause for concern regarding the operational condition of many mortgage servicing companies. Based upon these findings and following an extensive review of the current mortgage servicing industry to better understand its functions and impacts on financial markets and consumers, CSBS and AARMR have determined that increased state prudential regulation of non-bank mortgage servicing companies would help achieve the following goals:

- Provide better protection for borrowers, investors, and other stakeholders;
- Enhance effective regulatory oversight and market discipline over non-bank mortgage servicers; and
- Improve transparency, accountability, risk management, and corporate governance standards.

MULTI-STATE MONEY SERVICES BUSINESSES (MSB) EXAMINATION TASKFORCE (MMET)

The MMET is the state representative body charged with coordinating and facilitating multi-state supervision of MSBs. Established in 2013 by the Nationwide Cooperative Agreement (the MSB Agreement) for MSB Supervision and its companion Protocol for Performing Multi-State Examinations (MSB Protocol), the MMET is tasked with leveraging the state system for money services businesses supervision



Ray Grace, Commissioner of the North Carolina Office of the Commissioner of Banks and Chair of the MMET.

and protecting consumers and state economies, while fostering regulatory consistency. The MMET consists of 10 state regulatory representatives appointed by CSBS and the Money Transmitter Regulators Association (MTRA). In 2014, the MMET was chaired by Ray Grace, Commissioner of the North Carolina Office of Commissioner of Banks.

By year end 2014, 48 state regulatory agencies, including D.C. and Puerto Rico, had signed the MSB Agreement and Protocol setting in motion enhanced processes for supervision.

In 2014, the MMET continued working toward its foundational goals of promoting a nationwide framework for cooperation and coordination among MSB state regulators, and putting procedures into practice. The MMET focused on building out tools, executing joint examinations, training examiners, and creating best practices for multi-state exams.

Historically, state regulators that examine and license MSBs coordinate supervision with the Internal Revenue Service (IRS) and the Financial Crimes Enforcement Network (FinCEN) through information-sharing agreements.

In addition to IRS and FinCEN coordination, in 2014 the MMET began preparing for coordination with the Consumer Financial Protection Bureau (CFPB). The CFPB gained jurisdiction over certain money transmitters after issuing its larger participant rule, which it estimates will include approximately 25 of the largest non-bank money transmitter providers. The rule took effect Dec. 1, 2014. Going forward, the MMET will coordinate with the CFPB under the auspices of the State Coordinating Committee (SCC).

¹⁸ On February 9, 2012, 45 state regulatory agencies, the attorneys general of 49 states and the District of Columbia (every state but Oklahoma), the federal government and five banks and mortgage servicers (Bank of America, Citi, JPMorgan Chase, the ResCap Parties and Wells Fargo) reached agreement on the Joint State-Federal National Mortgage Settlement that created new servicing standards, provided for relief to distressed homeowners and provided funding for state and federal governments.

Looking forward into 2015, the MMET expects to coordinate joint state examinations for approximately 75 MSBs of varying size. The MMET expects to refine multi-state MSB examinations, and will seek out opportunities to leverage technology and communications across states. With operating procedures, examination guidelines, and a solid understanding of state MSB examiner resources, 2015 will serve as an opportunity to increase efficiency for the MMET and the state system.

STATE COORDINATING COMMITTEE (SCC)

The SCC is the official state coordinating body formed under the 2013 CFPB-State Supervisory Coordination Framework (Framework).¹⁹ The Framework itself was a requirement of the 2011 Information-Sharing MOU between the CFPB and CSBS to coordinate and share information on the supervision and enforcement of supervised entities.

The SCC is comprised of two representatives from each of the six state financial regulatory associations: American Association of Residential Mortgage Regulators (AARMR), CSBS, MTRA, National Association of Consumer Credit Administrators (NACCA), North American Collection Agency Regulatory Association (NACARA), and National Association of State Credit Union Supervisors (NASCUS). The SCC is chaired by Kentucky Department of Financial Institutions Commissioner Charles A. Vice.



Charles A. Vice, Commissioner of the Kentucky Department of Financial Institutions and Chair of the SCC.

The SCC serves as a voice of leadership on behalf of the state regulator associations and the state non-depository supervision system to advance supervisory and regulatory policy among state regulators and federal counterparts. The SCC is responsible for developing a list of proposed coordinated examination targets and working with the CFPB to identify a final list of companies to be examined.

RESPONDING TO A CHANGING MORTGAGE SERVICING ENVIRONMENT

State Regulators Form Mortgage Servicing Rights Task Force

In recent years, there has been a significant growth of mortgage servicing assets in non-depository servicers. Some state financial regulators license and regulate these entities, and these firms provide a critical function in the U.S. housing finance system. Because of their role, it is important for state regulators to understand how this growth of mortgage servicing assets in non-depository servicers should inform changes to the regulatory framework. In order to do this, state financial regulators formed, through CSBS, a Mortgage Servicing Rights Task Force in 2014 to develop options for prudential standards for non-bank mortgage servicers.

The Task Force was charged with analyzing asset growth, examining the current mortgage servicing market, and developing recommendations for prudential standards for non-bank servicers. The Task Force was also assigned to evaluate any corporate governance, operational risk, and financial capacity changes non-depository servicers have made since the mortgage crisis.

Through this process CSBS engaged with industry participants, federal agencies, and other stakeholders in an effort to help inform best practices. The Task Force delivered an initial report to the CSBS Board of Directors in early December 2014 and released proposed prudential regulatory standards for non-mortgage servicers in early 2015.

REGULATORY TOOLS TO ENHANCE EFFICIENCY IN NON-DEPOSITORY SUPERVISION

Risk-Profiling Tool

In 2014 the Risk Profiling Group (RPG) of the MMC helped develop the Mortgage Call Report (MCR) Analytics Tool, a risk-profiling tool that provides state examiners with key mortgage information used to identify companies' risk profiles. The MCR tool provides examiners with information such as market share, key loan data, and a composite risk score. The tool allows examiners to drill down for more detailed information about a company's loan portfolio and financial condition.

¹⁹ 2013 CFPB-State Supervisory Coordination Framework: <http://www.csbs.org/regulatory/Cooperative-Agreements/Documents/2013%20CFPB-State%20Supervisory%20Coordination%20Framework%20050713.pdf>

Technology Assessing Compliance

In an effort to conduct a more robust and accurate loan-analysis review, the MMC continued its use of the ComplianceEase® loan analysis tool in its examinations in 2014. ComplianceEase® is a mortgage compliance and risk-management software platform that audits compliance with the Home Ownership and Equity Protection Act, the Truth-in-Lending Act, high-cost loan laws, and consumer credit regulations, among other things. Use of this tool enables examiners to review 100 percent of a company's loan portfolio for both state and federal compliance violations.

Nationwide Multistate Licensing System and Registry (NMLS, or the System)

NMLS was launched by state regulators in January 2008 as a voluntary web-based system that allowed licensed mortgage lenders, mortgage brokers, and individual mortgage loan originators (MLOs) to apply for, amend, update, or renew a license online using a single set of uniform applications. With the passage of the Secure and Fair Enforcement for Mortgage Licensing Act (SAFE Act) in July 2008, all MLOs were required to be either registered or licensed through NMLS and meet minimum professional standards. In mid-2012, NMLS and the uniform state application forms were modified to accommodate state agency use of NMLS for licensing entities in other non-depository financial services industries, such as money services businesses (MSBs), debt collectors, and consumer lenders.

As the system of record for state financial services regulatory agencies, NMLS is able to track the number of unique companies and individuals operating in the state system as well as the number of licenses these companies and individuals hold in each state. For example, a company licensed in three states would count as one unique entity holding three licenses.

At the end of 2014, NMLS was the system of record for 61 state agencies, managing a total of 538 different license authorities covering a broad range of non-depository financial services. This is up from 479 at the end of 2013. NMLS manages 279 company license types, 177 branch license types, and 82 individual license types (Figure 12).

FIGURE 12: TOTAL LICENSES AND ENTITIES IN NMLS

State Licensed	2013		2014	
	Entities	Licenses	Entities	Licenses
Companies	18,993	39,903	19,882	44,020
Branches	23,467	43,066	25,583	49,904
MLOs	130,311	331,351	131,725	359,992

Federally Registered	2013	2014
Institutions	10,848	10,566
MLOs	404,239	398,492

Source: NMLS

In addition to being a system of state licensing for financial services, NMLS operates a registry (known as NMLS Federal Registry or Registry) of federally regulated depository institutions and subsidiaries and mortgage loan originators who are required by federal rule to register in NMLS prior to originating mortgages. These institutions and individuals are not required to separately register in each state where they may do business, thus there is no direct comparison with the state-licensed entities' and individuals' total number of licenses. Over the course of 2014, the number of institutions and mortgage loan originators registered in NMLS essentially remained unchanged.

The combination of the state licenses managed in NMLS and the NMLS Federal Registry makes the System a complete repository of companies, both depository and non-depository, and individuals authorized in the United States to originate mortgages.²⁰ Since state agencies began expanding their use of NMLS to manage other financial services beyond mortgage, the System is beginning to offer a national perspective on these other industries.

In 2014 CSBS hosted the sixth annual NMLS Conference and Training in Miami, Florida. The conference drew nearly 600 attendees, including state and federal regulators, industry representatives, and other stakeholders.

The NMLS is operated by the State Regulatory Registry, LLC (SRR), a subsidiary of CSBS. SRR is a non-profit entity established by CSBS, in cooperation with the American Association of Residential Mortgage Regulators (AARMR), in September 2006. SRR is governed by its Board of Managers that is comprised of state mortgage regulators and chaired by Robert J. Entringer, Commissioner of the North Dakota Department of Financial Institutions. The SRR Board of Managers is responsible for all development, operations, and policy matters concerning NMLS. SRR publishes quarterly reports that compile data on state-licensed companies, branches, MLOs, and federal registrants.

²⁰ Two state agencies currently do not manage mortgage company licenses in NMLS: Texas Office of Consumer Credit Commissioner and Utah Department of Financial Institutions.

OPPORTUNITIES AND CHALLENGES IN TECHNOLOGY

OVERVIEW

For more than a century, state financial regulators have used CSBS as a national forum for discussing and addressing new and emerging financial challenges. Where necessary, state regulators have responded to these new and emerging challenges, and in some cases have taken proactive steps to keep pace with change in the financial services industry.

For the past few years, state financial regulators have spent more and more time on emerging payments issues and the growing problem of cybersecurity. This has been driven mainly by an accelerating pace of technological innovation in the financial services industry.

EMERGING PAYMENTS TASK FORCE

To better understand new changes in the payments system, CSBS formed the Emerging Payments Task Force (Task Force) in February 2014. The Task Force is charged with evaluating payments developments and innovations, examining the intersection between emerging payments and state supervision, identifying areas for consistent regulatory approaches among states, and discovering how emerging technologies may fit within the established regulatory framework. Massachusetts Division of Banks Commissioner David J. Cotney served as the chairman of the Task Force in 2014.



David J. Cotney, Chair of the Emerging Payments Task Force and Commissioner of the Massachusetts Division of Banks, gives opening remarks at the public hearing.

As regulators of a diverse range of financial services providers, state regulators bring a unique perspective to the opportunities and risks of emerging payments. This perspective is informed by the goals of preserving marketplace stability and consumer and investor safety while allowing for constructive industry innovation.

Throughout 2014, the Task Force studied changes in the payments landscape, including various mobile payment de-

velopments and virtual currency. The Task Force sought to determine the impact of these developments on consumer protection, state law, and banks and non-bank entities chartered or licensed by the states. In doing so, the Task Force engaged with a broad range of stakeholders through various outreach events and meetings.

Model Consumer and Investor Guidance on Virtual Currency

In April 2014, the Task Force, in partnership with the North American Securities Administrators Association, released model state consumer and investor guidance on virtual currency. The guidance is designed to assist state regulatory agencies in providing the public with information about virtual currency as well as what factors consumers should consider when transacting with or investing in virtual currencies. The guidance reflects the input of regulators in several states and serves as a tool for state regulators to use as part of their efforts to educate consumers about virtual currencies.

In the model guidance, regulators explain what virtual currency is and provide a list of risks consumers should consider. The guidance encourages consumers to do their own research before using virtual currencies and provides links to helpful websites and resources. From this model consumer guidance, state agencies were encouraged to draft their own individual consumer guidance.

Emerging Payments Public Hearing

In May 2014, the Task Force held an Emerging Payments Public Hearing in Chicago, Ill., where state regulators heard from industry participants and other stakeholders. The three-panel hearing focused on legacy payment systems, retail payments innovations, and virtual currencies.

Feedback from speakers on the legacy payment systems panel included work being done to enhance the legacy payment systems to make them faster and more efficient while still preserving consumer confidence and system stability. Speakers indicated a tension and a careful balance between



Emerging Payments Task Force members during a public hearing to discuss challenges and opportunities in emerging payments.



Jason Oxman, Chief Executive Officer of the Electronic Transactions Association, testifies at the Emerging Payments Public Hearing.

meeting speed and efficiency demands of the industry and the public while still maintaining vital security measures that protect the system and consumers.

The retail payments innovations panel discussed mobile banking and mobile payments technologies. The speakers acknowledged that merchant acceptance and consumer awareness of these technologies serve as barriers more so than regulation, and urged the Task Force to consider a risk-management supervisory approach, as opposed to a check-list model, to be more flexible and responsive to industry changes.

The virtual currencies panel urged state and federal regulators to provide clear and consistent regulatory expectations and guidance without restricting innovation. The panel commended the Task Force for issuing model consumer guidance to provide more information to consumers considering transacting in virtual currencies.

Virtual Currency Survey

In August 2014, CSBS and the Massachusetts Division of Banks jointly released a national survey exploring consumer awareness of virtual currency. More than 1,000 on-line consumers were surveyed about their knowledge and usage of virtual currency, including Bitcoin. The survey revealed



Audience members listen to regulators and panelists discuss the payments system at the Emerging Payments Task Force hearing.

that of the 51 percent of consumers that are aware of virtual currency, only three percent had actually purchased or used the digital currency. Additional findings of the survey are available at <http://www.csbs.org/news/press-releases/pr2014/Pages/pr-082714.aspx>.

Model Regulatory Framework

Based on the Task Force's outreach and study in 2014, the CSBS Board of Directors adopted a policy that certain activities involving third-party control of virtual currency—including for the purpose of transmitting, exchanging, holding, or otherwise controlling virtual currency—should be subject to state licensure and supervision.

To support this policy, in December 2014 CSBS issued for public comment a draft Model Regulatory Framework for virtual currencies that includes licensing, consumer protection, market stability, anti-money laundering, and cybersecurity requirements for state licensed virtual currency firms.

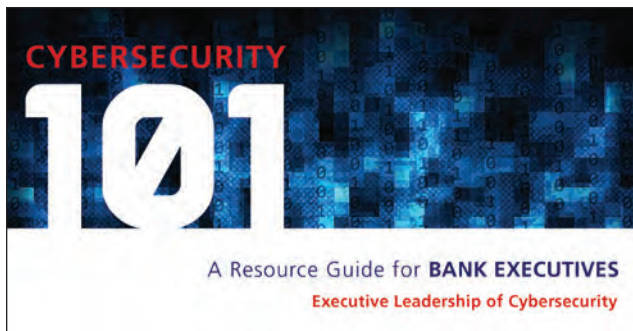
Looking Ahead

Ultimately, the Task Force is seeking the best possible supervisory structure to encourage innovation and consistent regulatory approaches while still maintaining safety and soundness, marketplace stability, and consumer protection. In 2015, the Task Force is expected to review and consider public comments on the Model Regulatory Framework before issuing a final proposal. Additionally, the Task Force will continue to meet with and hear from industry leaders, regulators, and other stakeholders on emerging payments issues throughout the upcoming year.

EXECUTIVE LEADERSHIP OF CYBERSECURITY (ELOC) INITIATIVE

One of CSBS's top priorities in 2014 was raising awareness among community bank executives about growing and increasingly sophisticated cyber threats targeting financial institutions. To raise awareness among bank executives of their important role in managing their institutions' cyber risks, CSBS launched the Executive Leadership of Cybersecurity (ELOC) initiative, an education and awareness campaign that emphasizes cybersecurity as more than just a "back office" issue, but an executive and board-level issue. The ELOC initiative highlighted the current cyber threat landscape, its impact on financial institutions, the importance of CEO and executive-level engagement, and industry practices for leadership to better protect their institutions.

The ELOC initiative is a dynamic campaign that utilizes several multimedia platforms to disseminate content. Platforms used for the initiative include a campaign website, industry outreach events, and the publication of "Cybersecurity 101: A Resource Guide for Bank Executives." Also, in December 2014, the first of several in-person ELOC events



Cybersecurity 101: A Resource Guide for Bank Executives

was held by the Texas Department of Banking, under the leadership of Texas Banking Commissioner Charles G. Cooper. More than 300 bank executives attended the Texas event. Deputy Treasury Secretary Sarah Bloom Raskin provided the keynote address at the event. Also presenting at the Texas ELOC event were the Deputy Director of the U.S. Secret Service, the President of the Financial Services Information Sharing and Analysis Center, and representatives from the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, and the Dallas Federal Reserve Bank. Several more in-person ELOC events are planned in 2015.

STATES WORKING TOGETHER ON CYBERSECURITY

In addition to the ELOC initiative, CSBS has taken steps to help state regulators enhance cybersecurity supervision. This effort includes increased information sharing and dialogue among state regulators and a focus on identifying and meeting the training needs of state regulators.

CSBS's State Supervisory Processes Committee (SSPC) in 2013 formed the Information Technology (IT) Advisory Group to ensure state financial regulators collaborate, communicate, and stay informed of emerging IT examination issues and threats. This group is comprised of IT examiners from banking departments across the country that meet to discuss field-level information on emerging IT risks, ensure that state supervisory processes are equipped to respond to cyber threats, and share training needs. The IT Advisory Group has proven to be a useful forum for states to share emerging issues and trends and for helping state regulators keep current on best practices.

Money Services Businesses (MSBs) move money to facilitate transactions through increasingly complex technologies, and are especially vulnerable to a broad range of cybersecurity risks. The Multi-State MSB Examination Taskforce (MMET) identified these risks and gaps in examiner knowledge in 2014 and surveyed state examiner needs and gaps in this area. The Money Transmitter Regulators Association (MTRA) likewise has focused its attention on

examiner awareness of cyber threats and data breaches, designating part of its 2014 examiner training to this area.

The work of the MTRA, the MMET, the CSBS Information Technology (IT) Advisory Group, and general feedback from state financial regulators all point to a clear need for more information and training on both IT fundamentals and cyber issues for state regulators. To address this need, CSBS developed and launched a pilot IT Examiner School in October 2014 focused on examiners with limited IT experience. The course is structured to include case studies and practical exercises, and the curriculum covers a broad range of information technology topics including emerging technologies, operations security and risk management, disaster recovery, business continuity, wire transfers, identify theft, bank fraud, corporate account takeovers, third-party service providers, and cybersecurity management. CSBS has scheduled additional IT Examiner Schools to take place in 2015.

STATE-FEDERAL COORDINATION ON CYBERSECURITY

Active coordination between state and federal regulators and law enforcement is essential to mitigating evolving cyber threats. CSBS devoted significant resources to coordinating the participation of state regulators with the following federal agencies and groups on cybersecurity concerns:

- Federal Financial Institutions Examination Council (FFIEC);
- Financial and Banking Information Infrastructure Committee (FBIIC);
- U.S. Secret Service;
- Financial Services Sector Coordinating Council;
- Financial Services Information Sharing and Analysis Center (FS-ISAC); and
- Federal Bureau of Investigation (FBI).

As a voting member of the FFIEC, the State Liaison Committee coordinates with other FFIEC member agencies on cybersecurity-related supervisory matters. In 2013 the FFIEC formed the Cybersecurity and Critical Infrastructure Working Group (CCIWG). Several federal and state resources have been devoted to the cybersecurity efforts of the CCIWG. States have volunteered representatives to have full participation in the CCIWG efforts, which has helped shape policies to meet the needs of community institutions.

The CCIWG continues to coordinate with intelligence, law enforcement, Department of Homeland Security, and industry officials to share accurate and timely threat information and to assist financial institutions in protecting themselves and their customers from the growing risk posed by cyber threats.

RAISING THE BAR ON TRAINING AND PROFESSIONAL DEVELOPMENT

OVERVIEW

CSBS is dedicated to enhancing the professional excellence of state financial supervision. It is a strategic objective of CSBS to ensure state financial regulators are highly trained, well-educated and held accountable to widely agreed-upon standards of performance excellence. To instill confidence among stakeholders and the public in the state system of financial regulation, CSBS ensures high-quality state agency licensing, exam, and management staff through training, certification, and accreditation.



Victoria A. Reider, Executive Deputy Secretary of the Pennsylvania Department of Banking and Securities and Chair of the CSBS Education Foundation Board of Trustees.

CSBS's learning and professional development programs are funded and directed by the CSBS Education Foundation, which is chaired by Victoria Reider, Executive Deputy Secretary of the Pennsylvania Department of Banking.

LEARNING AND PROFESSIONAL DEVELOPMENT

CSBS continues to offer cutting-edge learning and professional development opportunities for state financial agencies that meet the evolving needs of staff at all levels of experience and expertise, ranging from new examiners to commissioners. These include technical bank and non-bank examination schools, continuing education programs for senior examiners, and executive seminars for department leaders.

In 2014, CSBS launched a new online training program as part of a continued expansion of its online training curriculum titled "Day One."²¹ The Day One Bank Safety & Soundness Examiner training program is a comprehensive training package for entry-level state bank safety and soundness examiners, as well as seasoned examiners needing a refresher or cross-training. Since the program's launch in April 2014, more than 130 examiners from 27 states have registered, indicating a growing interest among state regulators of quality online training opportunities.

CSBS also piloted in 2014 an Information Technology (IT) Examiner School geared toward bank, credit union, mortgage, and money services businesses (MSB) examination staff with limited to no experience or exposure to IT matters. The IT Examiner School is four-and-a-half days and provides attendees with hands-on technical training. The school was piloted in October in Los Angeles with 30 examiners from nine states participating.

Online and On-site Learning and Professional Development Courses

CSBS offers a wide range of online and on-site learning and professional development programs to meet the needs of state financial agencies. These include online modules and courses, technical schools, continuing education programs, and executive seminars.



CSBS President and CEO John W. Ryan holds a question-and-answer session with Dr. Randall S. Kroszner, Norman R. Bobins Professor of Economics at the University of Chicago Booth School of Business, at the annual State-Federal Supervisory Forum.

²¹ The "Day One" project is an innovative online training -concept that aims to minimize financial, geographic, and frequency limitations that often serve as barriers to high-quality training for state regulators.

CSBS's online training programs include:

- Day One: Bank Safety & Soundness Examiner Training;
- Day One: Mortgage Examiner Training;
- Day One: MSB Examiner Training;
- Fraud Identification Training; and
- Real Estate Appraisal Review.

CSBS's on-site learning and professional development programs include:

- Bank Financial Analysis/Asset Liability Management School;
- Credit Evaluation School;
- Examiner-in-Charge School;
- Problem Bank School;
- Bank Secrecy Act/Anti-Money Laundering Examiner School;
- Trust Examiner School;
- IT Examiner School;
- Advanced Commercial Credit Analysis;
- Examiners Forum;
- Real Estate Appraisal Review School;
- Senior School;
- Technology Seminar;
- Trust Forum;
- Examiner Education Forum;
- Deputy Seminar;
- Legal Seminar;
- Supervisors Symposium;
- State-Federal Supervisory Forum;
- Bank Directors Seminar; and
- U.S. Regulatory/Compliance Orientation.

Nationwide Reach of Learning and Professional Development Programs

In 2014 CSBS conducted 25 on-site learning and professional development programs, reaching nearly 1,500 state financial regulators nationwide.

As of end-of-year 2014, more than 400 examiners from over 40 states were enrolled in one of the CSBS's "Day One" online training programs.

In an effort to provide training and educational opportunities that state regulators can access anywhere and anytime, CSBS maintains access to Regulatory University, a vast library of more than 350 online, self-paced training modules. Forty states are actively using this online system. By year-end 2014, 3,346 state examiners completed more than 30,800 courses on the system.

CSBS is registered with the National Association of State Boards of Accountancy and the American Institute of Certified Professional Accountants as a sponsor of continuing professional education credits.

BANK AND MORTGAGE ACCREDITATION PROGRAM

CSBS Bank Accreditation Program

Established in 1984, the CSBS Accreditation Program was designed to strengthen state regulatory departments by raising the bar on professional excellence in state regulation. The CSBS Accreditation Program is often credited as the most effective tool for advancing state financial regulation. In the 30-year history of the CSBS Bank Accreditation Program, a total of 47 state banking departments have achieved and maintained the rigorous standards set forth by the program.

In 2014, 11 banking agencies were re-accredited by CSBS's Bank Accreditation Program. These agencies were the Arkansas State Bank Department, Florida Office of Financial Regulation, Massachusetts Division of Banks, Montana Division of Banking and Financial Institutions, New Mexico Financial Institutions Division, Oklahoma State Banking Department, Pennsylvania Department of Banking and Securities, Tennessee Department of Financial Institutions, Utah Department of Financial Institutions, Virginia Bureau of Financial Institutions, and Wisconsin Department of Financial Institutions.

CSBS-American Association of Residential Mortgage Regulators (AARMR) Mortgage Accreditation Program

CSBS, in partnership with AARMR, established the CSBS-AARMR Mortgage Accreditation Program in 2009 to jointly accredit state mortgage regulators. The development of the CSBS-AARMR Mortgage Accreditation Program was indicative of state regulators' ongoing commitment to enhancing supervision of all financial services industries.

In 2014, four state mortgage agencies received certificates of accreditation, confirming the agencies maintain the highest standards and practices in state mortgage supervision as set forth by the American Association of Residential Mortgage Regulators (AARMR)/CSBS Mortgage Accreditation Program. These agencies include: New Hampshire State Banking Department, Ohio Division of Financial Institutions, Oklahoma Department of Consumer Credit, and Virginia Bureau of Financial Institutions. Additionally, the Iowa Division of Banking, Massachusetts Division of Banks, Pennsylvania Department of Banking and Securities, and Tennessee Department of Financial Institutions were re-accredited. As of year-end 2014, a total of 17 state mortgage regulatory agencies had achieved and maintained the requirements of the CSBS-AARMR Mortgage Accreditation Program.

“This reaccreditation confirms that the Division’s regulatory programs are strong and positioned to protect Massachusetts consumers while ensuring the safety and soundness of the state financial system. Because of the CSBS, NASCUS, and AARMR joint review, the Division was able to obtain several accreditations at once, saving time and allowing the Division to focus more of its resources on supervision.”

— David J. Cotney, Commissioner of the Massachusetts Division Banks and Chairman-Elect of CSBS.

In 2014, the CSBS Performance Standards Committee, a committee within the Education Foundation, performed for the first time a joint bank, credit union, and mortgage accreditation review. CSBS and AARMR, which jointly accredits state mortgage regulators with CSBS, partnered with the National Association of State Credit Union Supervisors (NASCUS), which accredits credit unions, to coordinate the joint accreditation review of the Massachusetts Division of Banks.

EXAMINER CERTIFICATION PROGRAM

CSBS also achieves its goal of enhancing the professional excellence of state regulatory departments and their personnel through the Examiner Certification Program. The CSBS Examiner Certification Program expanded in 2014 with the addition of state examiner participants from Alabama, Connecticut, Hawaii, Kansas, and South Carolina. By year end 2014, 43 agencies from 41 states had examiners participating in the program. Individual participants in the program now total 1,030, which is an increase of 16 percent from 2013.

Also in 2014, CSBS continued development efforts to launch a new certification application platform. The new platform enables online application, submission of documentation, and supervisory attestation, streamlining what was before a divided process. The new certification application platform was launched in late 2014 with a limited rollout to seven states. All state regulatory agencies will be brought on to the system on a rolling basis throughout 2015.

Examiner Certifications

CSBS offers 16 examiner certifications, including safety and soundness, mortgage, and specialty certifications to recognize examiners who have attained expertise in specific areas of supervision.

The certifications include:

- Certified Operations Examiner (COE);
- Certified Credit Examiner (CCE);
- Certified Examiner-In-Charge (CEIC);
- Certified Examinations Manager (CEM);
- Certified Information Systems Examiner (CISE);
- Associate Certified Information Systems Examiner (ACISE);
- Certified Trust Examiner (CTE);
- Certified Consumer Compliance Specialist (CCCS);
- Certified Anti-Money Laundering Specialist (CAML);
- Certified Mortgage Examiner (CME);
- Certified Senior Mortgage Examiner (CSME);
- Certified Mortgage Examinations Manager (CMEM);
- Certified Mortgage Investigator (CMI);
- Certified Multi-State Mortgage Examiner-In-Charge (CMME);
- Certified Money Services Business Examiner (CMBE);
- Certified Senior Money Services Business Examiner (CSMBE).

The Examiner Certification Program is used by state regulatory agencies to document and recognize the professionalism of their staff with their legislatures and other state and federal regulators. In many cases, states have also secured salary increases and bonuses to staff who maintain their certified status with continuing education and job performance.

ENGAGEMENT WITH DELOITTE CONSULTING

In November 2014, the CSBS Education Foundation hired Deloitte Consulting to conduct a comprehensive and independent evaluation of the Foundation's programs and processes.

The objectives for Deloitte were to provide recommendations to:

- Address needs-assessment and program development processes;
- Develop and deliver online content as complementary to or as replacements for on-site programs;
- Develop a framework to determine the specific training needs of state regulators at all levels; and
- Create a methodology to assess the effectiveness of training programs on an ongoing basis.

Deloitte issued a final report in early January 2015. CSBS has analyzed the report's findings, organized its recommendations, and outlined a plan of action. A key element of that plan is for the CSBS Education Board of Trustees to determine what the Education Foundation's vision and mission should be in the context of 2015, as we evaluate our various programs, delivery channels, and greater coordination with the federal agencies.

OUTLOOK FOR 2015

A focus of 2014 that will continue into 2015 is IT training for examination staff, as well as cybersecurity training through the Executive Leadership of Cybersecurity (ELOC) events. Also in 2015, the Examiner Certification program will undergo an evaluation of its procedures and processes in order to raise overall standards. Finally, the Bank and Mortgage Accreditation programs will continue to improve through the work of the Performance Standards Committee and the implementation of recommendations from a 2013 evaluation to streamline processes, modernize the programs, and further enhance state financial supervision.

BANKERS ADVISORY BOARD AND MEMBERS

CSBS has a long-standing Bankers Advisory Board (BAB) to benefit from the perspective and experience of state-chartered banking institutions. The duties of the BAB are to advise and assist the CSBS Board of Directors in pursuit of the organization's goals and to provide industry input on appropriate areas of CSBS activities. This is an advisory role, and BAB members do not participate in CSBS policymaking committees, deliberations, or decisions.

The bankers who serve on the BAB bring their views of and concerns about current issues to the policymaking Board of Directors, giving the commissioners their sense of priorities from the banker's view.



Michael Poland, Banker Co-Chairman of the CSBS Bankers Advisory Board and President of Farmers State Bank in Cameron, Missouri.

In 2014, the BAB provided feedback to CSBS staff and the CSBS Board of Directors on a variety of issues, including: CSBS's Executive Leadership of Cybersecurity (ELOC) initiative; treatment of accumulated other comprehensive income (AOCI) under the Basel III framework; the lack of commercial real estate appraisers currently operating; and the lack of banks reporting incidents of elder abuse.

In coordination with the CSBS Regulatory Committee, the BAB established the Bankers Accounting Advisory Work Group in 2013. The purpose of the work group, which is comprised of bank Chief Financial Officers, is to provide state regulators direct input on how the banking industry is potentially impacted by accounting changes proposed by the Financial Accounting Standards Board (FASB). In 2014, the work group provided feedback on FASB's proposed revisions to the treatment of allowance for loan and lease losses (ALLL), potential Call Report issues, and the appropriateness of classifying long-term care facilities as commercial real estate.

Additionally, the BAB participated in a workshop session with Dr. Lamont Black, Assistant Professor of Finance at DePaul University, on the potential for community banks. In the work session, Dr. Black indicated community bank business models are changing because of the regulatory environment, technological advancements, and demographic shifts. These are challenging times, but community banks can take advantage of a national trend of celebrating local businesses, since community banks provide local, relational, and high-touch business services.

CSBS BANKERS ADVISORY BOARD

As of May 15, 2015

Regulator Co-Chairman

VACANT

Banker Co-Chairman

Mr. Michael Poland

President

Farmers State Bank, Cameron, MO

Immediate Past Chairman

Mr. Joseph G. Pierce

President and CEO

Farmers State Bank, LaGrange, IN

Member

Mr. Fernando A. Capablanca

Director

Ocean Bank, Miami, FL

Member

Mr. Edward J. (Ted) Geary

Senior Vice President

Depositors Insurance Fund, Woburn, MA

Member

Mr. Patrick Glotzbach

President and CEO

New Washington State Bank, New Washington, IN

Member

Mr. Bradley W. Krieger

Executive Vice President/Regional Executive

Arvest Bank, Fayetteville, AR

Member

Mr. Henry A. (Bubba) Logue

President and COO

Merchants and Planters Bank, Raymond, MS

Member

Mr. Trey Maust
Co-President and CEO
Lewis and Clark Bank, Oregon City, OR

Member

Mr. John J. Patrick, Jr.
President and CEO
Farmington Bank, Farmington, CT

Member

Mr. Rogers Pope, Jr.
Vice Chairman and CEO
Texas Bank and Trust Company, Longview, TX

Member

Mr. Tom Romrell
President and CEO
Bank of Commerce, Idaho Falls, ID

Member

Ms. Mary Ann Scully
President and CEO
Howard Bank, Ellicott City, MD

Member

Mr. Stephen Sherlock
President
Colorado East Bank and Trust, Lamar, CO

Member

Mr. Raymond (Ray) Specht
President and CEO
Toyota Financial Savings Bank, Henderson, NV

Member

Mr. K. Brent Vidrine
President and CEO
Bank of Sunset and Trust Co., Sunset, LA

Member

Mr. David H. Weaver
Executive Vice President
Branch Bank and Trust, Winston-Salem, NC

Member

Mr. Benedict (Bick) Weissenrieder
Chairman and CEO
The Hocking Valley Bank, Athens, OH

Chairman Emeritus

Mr. Garry D. Denney
Chairman, President, and CEO
Southwest Missouri Bank, Carthage, MO

Chairman Emeritus

Mr. Donald A. Pape
Chairman
Republic Bank and Trust, Norman, OK

CSBS Staff Director

H. Catherine Woody
Vice President of Media and Industry Relations

“WHY THE LOCAL FOOD MOVEMENT IS GOOD FOR COMMUNITY BANKING”

Informed Opinion

Originally Published by American Banker's Bank Think, Sept. 17, 2014

Authored by Lamont Black



The farm-to-table movement is transforming the way that Americans think about food. Rather than buying cheap shrimp from East Asia, people like Paul Greenberg (author of *American Catch*) would rather eat a New York City oyster from the East River. Similarly, the modern beer drinker is more interested in sampling a full-bodied porter or small-batch ale than a standardized lager that tastes the same anywhere in the world. In these cases, consumers are willing to trade the efficiency of scale and expanded options of corporate giants like Wal-Mart for a more carefully crafted, home-grown experience.

These developments are indicative of a changing culture. People are increasingly aware that businesses that understand a particular community's style and taste are better equipped to create products tailor-made to their customers' preferences. The idea that bigger is better is losing traction as people start to favor the advantages of small, local options — and that has major implications for community banking.

Just as foodies want their restaurants to understand and showcase local culture, customers increasingly seem to want their bankers to cater to their individual needs and values. If community banks position themselves as the progressive, local alternative to big banks, they could benefit from many of the changes other industries are now experiencing.

Local food, for example, is inherently inefficient from a scale perspective. But it offers a high quality and specific culture that cannot be reproduced by industrial agriculture. Even when locally-grown apples or carrots are a little dirtier and knobbier than their imported cousins, many consumers will choose them simply because their localness makes them more appealing. In the same way, community banks have significant cost disadvantages compared to their larger competitors. But they have something to offer that's out of reach for global banks: truly personal service and relationship lending.

Most banks can effectively process transactions. When customers want to take out a small business loan or apply for a mortgage, however, interaction with local bankers becomes important. This means that even customers who rely on mobile banking and rarely step into a bank branch may be swayed by the local factor.

Moreover, as big banks continue to struggle with legacy systems and the high cost of upgrading internal processes, community banks can leverage their more agile, responsive nature to make major strides in both internal and mobile systems. With the right steps, community banks can use their small size and nimbleness to be perceived as both local and entrepreneurial.

Research is starting to bear out this competitive advantage. The community banking research conference held last year by the Conference of State Bank Supervisors and the Federal Reserve revealed that consumers stand to make substantial gains by working with local bankers who know their needs more intimately. This year's conference, held Sept. 23-24 at the Federal Reserve Bank of St. Louis, will cover the latest research as well as trends observed by community bankers across the country. This analysis further serves to change the cultural conversation about community banks, alerting analysts, regulators and legislators to the power of the local trend.

The values of many consumers have already shifted toward supporting local establishments as a form of community involvement. These consumers see that when people do business with community banks, the value is returned to the community. The banker who offers customers their first mortgage loan may soon be just as familiar and fondly regarded as the waiter in their favorite restaurant or the bartender who regularly pours their favorite brew.

This is a classic vision of community banking tailored to the modern world. If community banks can connect with this trend, they could become the next frontier of the local revolution.

Lamont Black is an assistant professor of finance at the Driehaus College of Business at DePaul University in Chicago.

CSBS AND AFFILIATES FINANCIAL PERSPECTIVE

OVERVIEW

This Annual Report presents the activities of three separate legal entities: the Conference of State Bank Supervisors (CSBS), the State Regulatory Registry LLC (SRR), and the CSBS Education Foundation. CSBS is a non-profit, membership organization exempt from federal income tax under section 501(c)(3) of the internal revenue code. SRR is a subsidiary of CSBS and for tax reporting purposes is consolidated with CSBS. The CSBS Education Foundation is also a non-profit organization, also exempt from federal income tax under 501(c)(3) of the internal revenue code.

Annually, an audit of the combined organization is performed by the independent accounting firm of Tate & Tryon, a D.C.-based firm specializing in non-profit organizations. At the time of this printing, the annual audit for the year ended Dec. 31, 2014 was complete, but the final report had not been presented. When available, a copy of the final 2014 audit report will be posted on the CSBS website.

MOST RECENT AUDITED RESULTS

The information below is summarized from the Dec. 31, 2013 audited financial statements.

The financial results for 2013 include \$19.0 million in net income from operations. Contributions to net assets have continued to strengthen CSBS's financial position, which is extremely important given the role of CSBS in both depository and non-depository regulation. To date, CSBS has invested more than \$43 million in developing the Nationwide Multistate Licensing System and Registry (NMLS, or the System) and related professional standards systems. In a short period of time, NMLS has become a cornerstone of mortgage regulation for our members and the industry as a whole. The CSBS Board of Directors has determined that prudent oversight of the System requires a reserve balance sufficient to ensure the System is not adversely affected by cyclical changes in the industry. It is imperative that the high cost of maintenance, enhancements, and ongoing system security are not subject to potential revenue swings based on changes in the non-depository industry. Therefore, CSBS has continued to designate a large portion of annual net revenue for development reserves.

STATE REGULATORY REGISTRY LLC BOARD OF MANAGERS

The State Regulatory Registry LLC (SRR) is a non-profit entity and a wholly owned subsidiary of the CSBS. SRR operates the Nationwide Multistate Licensing System and Registry (NMLS, or the System) on behalf of state financial regulators. SRR is governed by a Board of Managers comprised of eight state banking and financial regulators and a representative of the American Association of Residential Mortgage Regulators (AARMR). The SRR Board of Managers is responsible for all development, operations, and policy matters concerning NMLS.

The SRR Board of Managers works to develop, enhance, and operate NMLS, oversee compliance with the Secure and Fair Enforcement for Mortgage Licensing (SAFE) Act, administer testing and education programs, and facilitate working groups of state and federal regulators and industry related to state licensing, federal registration, supervision, and NMLS policy.



Robert J. Entringer, Commissioner of the North Dakota Department of Financial Institutions and Chair of the SRR Board of Managers.

STATE REGULATORY REGISTRY LLC BOARD OF MANAGERS

As of May 15, 2015

Chairman

Mr. Robert J. Entringer
Commissioner
North Dakota Department of Financial Institutions

Vice Chair and AARMR Representative

Mr. Darin J. Domingue
Chief Examiner
Louisiana Office of Financial Institutions

Treasurer

Mr. Lauren Kingry
Superintendent
Arizona Department of Financial Institutions

Member

Ms. Sally Cline
Commissioner
West Virginia Division of Financial Institutions

Member

Mr. Glenn Perlow
Commissioner
New Hampshire State Banking Department

Member

Mr. David C. Tatman
Administrator
Oregon Division of Finance and Corporate Securities

Member

Mr. Gordon Cooley
Acting Commissioner
Maryland Office of Financial Regulation

Ex Officio Board Member *

Ms. Candace A. Franks
Commissioner
Arkansas State Bank Department
Chairman, Conference of State Bank Supervisors

Ex Officio Board Member *

Mr. William (Bill) Matthews
President and CEO
State Regulatory Registry LLC

Secretary *

Mr. John W. Ryan
President and CEO
Conference of State Bank Supervisors

* Denotes Non-Voting Members of the Board

CSBS EDUCATION FOUNDATION BOARD OF TRUSTEES

The CSBS Education Foundation funds and directs CSBS's education and training efforts. The Education Foundation sponsors professional training programs specifically designed by and for state banking department

examiners and senior staff. The membership of the CSBS Education Foundation is comprised solely of state bank regulators and interacts extensively with the CSBS Board of Directors.

CSBS EDUCATION FOUNDATION BOARD OF TRUSTEES

As of May 15, 2015

Chairman

Ms. Victoria A. Reider
Executive Deputy Secretary
Pennsylvania Department of Banking and Securities

Vice Chairman

Mr. Mick Thompson
Commissioner
Oklahoma State Banking Department

Treasurer

Mr. Lauren Kingry
Superintendent
Arizona Department of Financial Institutions

Immediate Past Chairman

Mr. Jeffrey C. Vogel
Director
Wyoming Department of Audit

Member

Mr. Scott D. Clarke
Assistant Director, Division of Banking
Illinois Department of Financial and Professional Regulation

Member

Ms. Charlotte Corley
Commissioner
Mississippi Department of Banking and Consumer Finance

Member

Mr. Robert Donovan
Deputy Superintendent of Banks
New York State Department of Financial Services

Member

Mr. Thomas C. Fite
Deputy Director
Indiana Department of Financial Institutions

Member

Mr. Luther Guinn
Deputy Bank Commissioner
Arkansas State Bank Department

Member

Ms. Melanie G. Hall
Commissioner
Montana Division of Banking and Financial Institutions

Member

Mr. Patrick Mullen
Director of Banking
New Jersey Department of Banking and Insurance

Member

Ms. Catherine Nahnsen-Robison
Deputy Commissioner
California Department of Business Oversight

Member

Ms. Judi M. Stork
Deputy Bank Commissioner
Kansas Office of the State Bank Commissioner

Chairman, Performance Standards Committee

Mr. W. Kurt Purdom
Director, Bank and Trust Supervision
Texas Department of Banking

Chairman, Content Development & Oversight Committee *

Mr. Tracy Bergmann
Examiner
Iowa Division of Banking

Chairman, Certification Committee *

Ms. Melanie Y. Ford
Director of Regulatory Training
North Carolina Office of Commissioner of Banks

Executive Secretary

Mr. John W. Ryan
President and CEO
Conference of State Bank Supervisors

CSBS Staff Director*

Mr. Sebastien Monnet
Vice President, Learning and Development

* Denotes Non-Voting Members of the Board

CSBS STAFF

As of May 15, 2015

President and CEO

Mr. John W. Ryan

Senior Manager and Executive Assistant to the CEO

Ms. Cecelia H. Smith

ADMINISTRATION

General Counsel

Mr. John (Buz) Gorman

Executive Vice President, Finance and Administration

Mr. Thomas E. Harlow

Vice President, Human Resources

Ms. Kelly Haire

Controller

Mr. Franklin Whetsell, Jr.

Director, Human Resources

Ms. Tammy Phan

Director, Meeting Services

Ms. Tonita Allers

Staff Attorney

Ms. Tarcy Thompson

Accounting Manager

Ms. Nhu Duong

Staff Accountant

Mr. Bikram Chakraborty

Staff Accountant

Mr. Serigne Dieng

Manager, Administrative Services

Ms. O'Della Harris

Senior Administrative Assistant

Ms. Erica Litschi

Office Assistant

Ms. Sauma Hoza

TECHNOLOGY

Senior Vice President, Chief Information Officer

Mr. Mark Rippe

Senior Vice President, Chief Information Security Officer

Mr. Suprotik Ghose

Vice President, Enterprise Infrastructure

Mr. Alex Kukin

Vice President, Solutions Architect

Mr. Peter Wallace

Senior Director, Systems Analysis

Mr. Devesh Gupta

Senior Director, Systems Analysis

Mr. Mark Haynesworth

Database Architect

Ms. Pamela Lin

Technical Project Manager

Mr. Juan Narvaez

Technical Project Manager

Mr. Venkata Paritala

Senior Director, Systems Analysis

Mr. Matt Reese

Senior Manager of Database and IT

Mr. David Rodgers

POLICY, SUPERVISION, AND DEVELOPMENT

Senior Executive Vice President

Mr. Michael L. Stevens

Executive Assistant

Ms. Tiyenne Greene

Regulatory Policy

Senior Vice President, Policy

Mr. Jim Cooper

Senior Advisor

Mr. Vaughn Noring

Senior Policy and Supervision Analyst

Mr. Nathan Ross

Senior Policy and Supervision Analyst

Mr. Daniel Schwartz

Policy and Supervision Analyst

Mr. Daniel Bellovin

Legislative and Legal

Senior Vice President and Deputy General Counsel

Ms. Margaret Liu

Senior Director, Legislative Policy

Ms. Natalie McGarry

Senior Director and Associate General Counsel

Mr. Sandy Sussman

Bank Supervision

Senior Vice President, Bank Supervision

Ms. Mary Beth Quist

Senior Director, Bank Supervisory Processes

Mr. Kyle J. Thomas

Consumer Protection and Non-Depository Supervision

Senior Vice President—Consumer Protection and Non-Depository Supervision

Mr. Chuck Cross

Vice President, Supervision

Mr. John M. Prendergast

Senior Director and Non-Depository Counsel

Mr. Matt Lambert

Director, Non-Depository Supervision

Mr. Tony Vasile

Senior Manager, Non-Depository Supervision

Ms. Mary Simonds

Manager, Supervision Analyst

Mr. Alan Ridenour

Professional Development

Vice President of Learning and Development

Mr. Sebastien Monnet

Vice President of Accreditation

Ms. Georgia High

Director of Learning Services

Mr. C. Thomas McVey

Senior Manager of Programs and Certification

Ms. Rosemarie Shaheen

Manager of Learning Services

Ms. Kimberly Chancy

Administrative Assistant

Ms. Katie Hoyle

Communications

Vice President, Media and Industry Relations

Ms. H. Catherine Woody

Senior Manager, Communications

Ms. Rockhelle A. Johnson

Manager, Communications

Mr. Matthew Longacre

STATE REGULATORY REGISTRY (SRR)

Executive Vice President

Mr. William (Bill) Matthews

Executive Assistant

Ms. Amber Ramirez

SRR Policy and Development

Senior Vice President

Mr. Tim Doyle

Vice President

Mr. Michael Belak

Senior Director

Mr. Todd Berry

Senior Director

Ms. Leslie Deniken

Senior Director

Mr. Siddarth Dhir

Senior Director

Mr. Tim Lange

Senior Director

Ms. Mary Pfaff

Director

Ms. Margo Frampton

Director

Mr. Dayasagar Lakka

Director

Mr. Chris Moore

Director

Mr. Derek Schultz

Director

Ms. Christine Stevens

Senior Manager

Mr. Paul Ferree

Manager

Ms. Sarah Grimm

Manager

Ms. Jingying Zhang

Senior Administrative Assistant

Ms. Shannon Lucernoni

SRR Operations

Senior Vice President

Ms. Vickie Slater

Senior Director

Mr. Dave Dwyer

Senior Director

Ms. Sharon Hughes

Director

Ms. Kathy Hunter

Director

Mr. Tim Vanderwerp

Senior Manager

Ms. Mindy Chang

Senior Manager

Mr. Reece Chekan

Manager

Ms. Paola Alvarado

Manager

Ms. Stephanie Buonomo

Manager

Mr. Michael Casagrande

Manager

Mr. Erik Körner-White

Manager

Mr. Stephen Lantzas

Manager

Mr. Galen Midford

Manager

Ms. Lindsay Schmidt

Manager

Mr. Philip Whims

Senior Administrative Assistant

Ms. Ebony Monti

SRR Testing & Education Programs

Vice President

Mr. Pete Marks

Senior Director

Mr. Rich Madison

Senior Manager

Ms. Jessica Ayton

Senior Manager

Mr. Matt Comber

Senior Manager

Ms. Michelle Vandernaalt

Manager

Ms. Alana Chamoun

Analyst

Mr. Mike Bray

Support Analyst

Ms. Gabriela Turner

Administrative Assistant

Ms. Elizabeth Deschaine



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